

GIBSON DUNN

Federal Circuit Year in Review 2016/2017

Intellectual Property and Appellate Practice Groups



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INTRODUCTION

In the 2016–2017 term, the Federal Circuit issued published opinions in a total of 124 cases related to patent law, including one *en banc* decision. The court’s decisions continued to refine several developing areas of patent law, such as post-grant proceedings before the Patent Trial and Appeal Board (“PTAB”) and subject matter eligibility under Section 101. As has been the case for several years now, the court most frequently addressed the issues of claim construction (39 opinions), obviousness (36 opinions), infringement (26 opinions), and anticipation (18 opinions). Some of the most notable opinions include:

- In *Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc.*, 855 F.3d 1356 (Fed. Cir. 2017), the court held that the post-AIA on-sale bar is triggered by sales offers that do not fully disclose the claimed invention to the public. That is, as with the pre-AIA on-sale bar, “an invention is made available to the public when there is a commercial offer or contract to sell a product embodying the invention and that sale is made public,” even when “members of the public could not ascertain the claimed invention.”
- In *Secure Access, LLC v. PNC Bank Nat’l Ass’n*, 848 F.3d 1370 (Fed. Cir. 2017), and *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376 (Fed. Cir. 2016), the court defined the scope of a “covered business method” patent. First, in *Unwired Planet*, the court held that the PTAB improperly broadened the definition of a PTAB by including patents “incidental or complementary” to financial activity. Then, in *Secure Access*, the court further clarified that a CBM patent must have “a claim that contains, however phrased, a financial activity element.”
- In *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168 (Fed. Cir. 2017), the Federal Circuit held that Article III standing is required to appeal a PTAB decision, even if such standing is not required to appear before the PTAB in an IPR. The court thus dismissed a patent challenger’s appeal from a PTAB decision upholding the patentability of a patent in IPR.
- In *Aylus Networks, Inc. v. Apple Inc.*, 856 F.3d 1353 (Fed. Cir. 2017), the Federal Circuit held that prosecution disclaimer applies to clear and unmistakable statements made by a patent owner during IPR proceeding, whether those statements are made before or after the PTAB’s institution decision.

As mentioned above, the court also continued to define the test for patentable subject matter following *Mayo* and *Alice*. In this term, the pendulum swung back toward the accused infringer on issues of subject matter eligibility. That is, while the patentee survived eligibility challenges close to 50% of the time in 2015–2016, the patentee won less than 20% of the time this term. Some of the notable decisions related to Section 101 are:

- *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016). In *McRO*, the court reversed a district court’s holding that the challenged claims were not patent-eligible, relying on the ordered combination of specific rules in the claims that constituted an improved technological process.



- *Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016). In *Bascom*, the Federal Circuit found the claims eligible under the second step of the *Alice* framework. The court, in particular, held that “an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces.”
- *Elec. Power Grp. v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2017). In *Electric Power*, the Federal Circuit affirmed the district court’s determination that the challenged claims were not patent-eligible. The Federal Circuit held that because the acts of collecting and analyzing data, and then presenting the results, were all abstract ideas, so too were the combination of those abstract-idea processes.

There are several notable trends borne out by the statistics this year. For example, the percentage of appeals from the PTO compared to from the district court continues to creep up, with 36% of appeals coming from the PTO this term, up from 31% last term. Moreover, while the Federal Circuit endeavors to decide cases in a prompt manner, the time from oral argument to final decision also increased this term, up from 132 days to 182 days on average. Nevertheless, the total time from docketing to final decision remained relatively constant—464 days on average this term compared to 446 days last term.

The overall win/loss percentage continues to favor the opponent, but only slightly (44% for the opponent compared to 42% for the patentee). This is down slightly from last term, in which the opponent won 47% of the time, compared to 40% for the patentee. Patentees see success relative to the opponent on issues such as obviousness (47% success), Section 112 (*i.e.*, written description, enablement, and definiteness) (56% success), willful infringement (50% success), and jurisdiction, venue, and standing (50% success). The opponent, by contrast, finds relative success on issues such as subject matter eligibility (81%), laches/estoppel (60%), inventorship, interference, and derivation (67%), and district court procedural issues (53%).

Overall, the Federal Circuit affirms approximately 59% of all cases it decides with precedential opinions. Some of the issues that are affirmed most often are subject matter eligibility (69% of the time), obviousness (64%), claim construction (72%), infringement (77%), inventorship, interference, and derivation (100%), and district court procedures (65%). By contrast, the issues most often reversed were willful infringement (75%), priority, conception, and reduction to practice (75%), and the America Invents Act (60% reversed and 0% affirmed). Notably, the affirmance of infringement issues is up to 77% from 59% last year, as is the rate of affirmance on claim construction (up to 72% from 54%). The rate of reversal on Section 112 issues also increased to 39% from 27% last year. The affirmance/reversal rates of many of the other core issues remained relatively constant.

Finally, as expected, patentees saw more success in cases appealed from the district court as compared to the PTO. In particular, the patentee won 48% of cases appealed from the district court (with 68% of district court decisions being affirmed), whereas the patentee won 31% of cases appealed from the PTO (with only 49% of PTO decisions being affirmed).

There are more analytics in the pages that follow, as well as summaries of the precedential decisions from the Federal Circuit this term. We hope this information serves you well this coming year. As always, if we can answer any questions, please do not hesitate to contact us.



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STATISTICAL ANALYSIS (August 1, 2016 – July 31, 2017)

Number of Precedential Patent Cases Decided	124
Average Time:	
Lower Tribunal Decision to Federal Circuit Oral Argument	371 Days
Lower Tribunal Decision to Federal Circuit Decision	551 Days
Docketing to Federal Circuit Oral Argument	285 Days
Docketing to Federal Circuit Decision	464 Days
Oral Argument to Federal Circuit Decision	182 Days
Number of <i>En Banc</i> Cases Decided	1
Judge Authoring the Most Opinions	Newman (19)
Judge Authoring the Most Majority Opinions	Reyna (15)
Judges Authoring the Fewest Majority Opinions	Tie - Mayer (0), Clevenger (0)
Judges Authoring the Most Concurring Opinions	Tie - Newman (2), Reyna (2)
Judge Authoring the Most Dissenting Opinions	Newman (7)
Judges Authoring the Fewest Dissenting Opinions	Tie – Plager (0), Moore (0), Linn (0), Hughes (0), Clevenger (0), Chen (0), Bryson (0)
Active Judges Who Authored the Most Unanimous Decisions	Reyna (15)
Top 5 District Courts in Number of Appeals	District of Delaware (9) Eastern District of Texas (8) Northern District of California (8) Eastern District of Virginia (5) Central District of California (4)
Number of Cases With Amicus Briefs	15
District Court (% of cases)	60%
PTO (% of cases)	36%
ITC (% of cases)	2%
CFC (% of cases)	2%
Final Decisions on Validity of the Patent	Valid 19 / Invalid 34 / Both 5
Percentage of Cases Involving:	
Chemical/Pharmaceutical	17%
Biotech/Medical Device	13%
Software/Electrical	46%
Business Method	6%
Mechanical	18%



TOP ISSUES BEFORE THE FEDERAL CIRCUIT (BY NUMBER)

Claim Construction	39
§ 103 / Obviousness	36
Infringement	26
§ 102 / Anticipation	18
§ 112 / Written Description, Enablement, Definiteness	18

OVERALL WIN RATE FOR PATENTEE/OPPONENT

Patentee Won	42%	102
Opponent Won	44%	107
Both Won	8%	19
Neither Won	7%	16

PATENTEE AND OPPONENT WIN RATE BY ISSUE

Issue	Patentee	Opponent	Both	Neither
§ 101 / Subject Matter Eligibility	19%	81%	0%	0%
§ 102 / Anticipation	39%	33%	17%	11%
§ 103 / Obviousness	47%	36%	11%	6%
Double Patenting	100%	0%	0%	0%
§ 112 / Written description, Enablement, Definiteness	56%	22%	17%	6%
Level of Skill in the Art	0%	100%	0%	0%
Claim Construction	36%	54%	8%	3%
Infringement	46%	46%	8%	0%
Willful Infringement	50%	0%	0%	50%
Injunctive Relief	50%	25%	13%	13%
Monetary Relief	42%	42%	0%	16%
Laches, Estoppel	20%	60%	0%	20%
Inequitable Conduct	33%	33%	0%	33%
Inventorship, Interference, Derivation	33%	67%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	50%	50%	0%	0%
Design Patents	100%	0%	0%	0%
PTO Procedures	45%	36%	9%	9%
America Invents Act (AIA)	60%	40%	0%	0%
District Court Procedures	35%	53%	12%	0%
Jurisdiction, Venue, Standing	50%	43%	0%	7%
Federal Circuit Procedures	0%	50%	0%	50%
ITC Procedures	0%	0%	0%	0%



Issue	Patentee	Opponent	Both	Neither
Ownership, Assignments, Recording in PTO	0%	0%	0%	0%
First sale doctrine / implied license / exhaustion	0%	0%	0%	0%
Hatch-Waxman Act Procedures	0%	0%	0%	0%
BPCIA	0%	0%	0%	0%

**TOP ISSUES THAT PATENTEE WON
(FREQUENCY OF PREVAILING)**

Double Patenting	100%
Design Patents	100%
America Invents Act (AIA)	60%
§ 112 / Written description, Enablement, Definiteness	56%
Willful infringement	50%

**TOP ISSUES THAT PATENTEE WON
(BY NUMBER OF CASES)**

§ 103 / Obviousness	17
Claim Construction	14
Infringement	12
§ 112 / Written description, Enablement, Definiteness	10
§ 102 / Anticipation	7

**TOP ISSUES THAT OPPONENT WON
(FREQUENCY OF PREVAILING)**

Level of Skill in the Art	100%
§ 101 / Subject Matter Eligibility	81%
Inventorship, Interference, Derivation	67%
Laches, Estoppel	60%
Claim Construction	54%

**TOP ISSUES THAT OPPONENT WON
(BY NUMBER OF CASES)**

Claim construction	21
§ 101 / Subject matter eligibility	13
§ 103 / Obviousness	13
Infringement	12
District Court Procedures	9

**TOP ISSUES THAT BOTH PATENTEE AND OPPONENT WON
(FREQUENCY OF PREVAILING)**

§ 102 / Anticipation	17%
§ 112 / Written description, Enablement, Definiteness	17%
Injunctive Relief	13%
District Court Procedures	12%
§ 103 / Obviousness	11%

**TOP ISSUES THAT BOTH PATENTEE AND OPPONENT WON
(BY NUMBER OF CASES)**

§ 103 / Obviousness	4
§ 102 / Anticipation	3
§ 112 / Written description, Enablement, Definiteness	3
Claim construction	3
Infringement	2

**TOP ISSUES THAT NEITHER PATENTEE NOR OPPONENT WON
(FREQUENCY OF PREVAILING)**

Willful infringement	50%
Federal Circuit Procedures	50%
Inequitable Conduct	33%
Laches, Estoppel	20%
Monetary Relief	17%

**TOP ISSUES THAT NEITHER PATENTEE NOR OPPONENT WON
(BY NUMBER OF CASES)**

§ 102 / Anticipation	2
§ 103 / Obviousness	2
Willful Infringement	2
Monetary Relief	2



OVERALL ISSUE AFFIRMANCE/REVERSAL RATE

Affirmed	59%	143
Reversed	26%	63
Both	10%	24
Neither	5%	13

AFFIRMANCE/REVERSAL RATE PER ISSUE

Issue	Affirmed	Reversed	Both	Neither
§ 101 / Subject Matter Eligibility	69%	19%	12%	0%
§ 102 / Anticipation	44%	33%	17%	6%
§ 103 / Obviousness	64%	25%	11%	0%
Double Patenting	100%	0%	0%	0%
§ 112 / Written Description, Enablement, Definiteness	44%	39%	17%	0%
Level of Skill in the Art	100%	0%	0%	0%
Claim Construction	72%	18%	10%	0%
Infringement	77%	19%	4%	0%
Willful Infringement	0%	75%	0%	25%
Injunctive Relief	50%	25%	25%	0%
Monetary Relief	50%	33%	8%	8%
Laches, Estoppel	80%	20%	0%	0%
Inequitable conduct	67%	0%	0%	33%
Inventorship, Interference, Derivation	100%	0%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	25%	75%	0%	0%
Design Patents	100%	0%	0%	0%
PTO Procedures	42%	42%	8%	8%
America Invents Act (AIA)	0%	60%	20%	20%
District Court Procedures	65%	18%	12%	6%
Jurisdiction, Venue, Standing	42%	17%	0%	42%
Federal Circuit Procedures	50%	0%	0%	50%
ITC Procedures	0%	0%	0%	0%
Ownership, Assignments, Recording in PTO	0%	0%	0%	0%
First Sale Doctrine / Implied License / Exhaustion	0%	0%	0%	0%
Hatch-Waxman Act Procedures	0%	0%	0%	0%
BPCIA	0%	0%	0%	0%



**TOP ISSUES AFFIRMED BY THE FEDERAL CIRCUIT
(BY FREQUENCY PERCENTAGE)**

Double Patenting	100%
Level of Skill in the Art	100%
Inventorship, Interference, Derivation	100%
Design Patents	100%
Laches, Estoppel	80%

**TOP ISSUES AFFIRMED BY THE FEDERAL CIRCUIT
(BY NUMBER OF CASES)**

Claim construction	28
§ 103 / Obviousness	23
Infringement	20
§ 101 / Subject Matter Eligibility	11
District Court Procedures	11

**TOP ISSUES REVERSED BY THE FEDERAL CIRCUIT
(BY FREQUENCY PERCENTAGE)**

Willful Infringement	75%
Priority, Conception, Reduction to Practice, Diligence	75%
America Invents Act (AIA)	60%
PTO Procedures	42%
§ 112 / Written description, Enablement, Definiteness	39%

**TOP ISSUES REVERSED BY THE FEDERAL CIRCUIT
(BY NUMBER OF CASES)**

§ 103 / Obviousness	9
§ 112 / Written description, Enablement, Definiteness	7
Claim Construction	7
§ 102 / Anticipation	6
Infringement	5
PTO Procedures	5

**TOP ISSUES BOTH AFFIRMED AND REVERSED BY THE FEDERAL CIRCUIT
(BY FREQUENCY PERCENTAGE)**

Injunctive Relief	25%
America Invents Act (AIA)	20%
§ 102 / Anticipation	17%
§ 112 / Written description, Enablement, Definiteness	17%
§ 101 / Subject Matter Eligibility	13%

**TOP ISSUES BOTH AFFIRMED AND REVERSED BY THE FEDERAL CIRCUIT
(BY NUMBER OF CASES)**

§ 103 / Obviousness	4
Claim Construction	4
§ 102 / Anticipation	3
§ 112 / Written description, Enablement, Definiteness	3
§ 101 / Subject matter eligibility	2
Injunctive Relief	2
District Court Procedures	2

**TOP ISSUES NEITHER AFFIRMED NOR REVERSED BY THE FEDERAL CIRCUIT
(BY FREQUENCY PERCENTAGE)**

Federal Circuit Procedures	50%
Jurisdiction, Venue, Standing	42%
Inequitable Conduct	33%
Willful Infringement	25%
America Invents Act (AIA)	20%

**TOP ISSUES NEITHER AFFIRMED NOR REVERSED BY THE FEDERAL CIRCUIT
(BY NUMBER OF CASES)**

Jurisdiction, Venue, Standing	5
§ 102 / Anticipation	1
Willful Infringement	1
Monetary Relief	1
Inequitable Conduct	1
PTO Procedures	1
America Invents Act (AIA)	1
District Court Procedures	1
Federal Circuit Procedures	1



FREQUENCY THAT COURT, AGENCY, OR JURY DECIDED ISSUE BELOW

District Court	57%	156
Agency	32%	88
Jury	5%	14
Mix	1%	4
None	5%	14

BREAKDOWN BY ISSUE: WHETHER COURT, AGENCY, OR JURY DECIDED ISSUE BELOW

Issue	Court	Agency	Jury	Mix	None
§ 101 / Subject Matter Eligibility	81%	19%	0%	0%	0%
§ 102 / Anticipation	22%	61%	17%	0%	0%
§ 103 / Obviousness	17%	69%	6%	6%	3%
Double Patenting	100%	0%	0%	0%	0%
§ 112 / Written Description, Enablement, Definiteness	50%	39%	0%	11%	0%
Level of Skill in the Art	0%	100%	0%	0%	0%
Claim Construction	59%	41%	0%	0%	0%
Infringement	62%	8%	27%	0%	4%
Willful Infringement	67%	0%	0%	0%	33%
Injunctive Relief	100%	0%	0%	0%	0%
Monetary Relief	67%	0%	17%	17%	0%
Laches, Estoppel	20%	80%	0%	0%	0%
Inequitable Conduct	67%	33%	0%	0%	0%
Inventorship, Interference, Derivation	67%	33%	0%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	25%	75%	0%	0%	0%
Design Patents	100%	0%	0%	0%	0%
PTO Procedures	0%	92%	0%	0%	8%
America Invents Act (AIA)	40%	60%	0%	0%	0%
District Court Procedures	94%	0%	0%	0%	6%
Jurisdiction, Venue, Standing	64%	14%	0%	0%	21%
Federal Circuit Procedures	50%	0%	0%	0%	50%
ITC Procedures	0%	0%	0%	0%	0%
Ownership, Assignments, Recording in PTO	0%	0%	0%	0%	0%
First Sale Doctrine / Implied License / Exhaustion	0%	0%	0%	0%	0%
Hatch-Waxman Act Procedures	0%	0%	0%	0%	0%
BPCIA	0%	0%	0%	0%	0%



AFFIRMANCE/REVERSAL RATE OF ISSUES DECIDED BY A COURT

COURT DECISIONS				
Issue	Affirm	Reverse	Both	Neither
§ 101 / Subject Matter Eligibility	77%	15%	8%	0%
§ 102 / Anticipation	25%	50%	0%	25%
§ 103 / Obviousness	83%	17%	0%	0%
Double Patenting	100%	0%	0%	0%
§ 112 / Written Description, Enablement, Definiteness	33%	44%	22%	0%
Level of Skill in the Art	0%	0%	0%	0%
Claim Construction	87%	4%	9%	0%
Infringement	81%	13%	6%	0%
Willful Infringement	0%	100%	0%	0%
Injunctive Relief	50%	25%	25%	0%
Monetary Relief	50%	38%	0%	13%
Laches, Estoppel	100%	0%	0%	0%
Inequitable Conduct	100%	0%	0%	0%
Inventorship, Interference, Derivation	100%	0%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	0%	100%	0%	0%
Design Patents	100%	0%	0%	0%
PTO Procedures	0%	0%	0%	0%
America Invents Act (AIA)	0%	50%	0%	50%
District Court Procedures	69%	13%	13%	6%
Jurisdiction, Venue, Standing	44%	22%	0%	33%
Federal Circuit Procedures	100%	0%	0%	0%
ITC Procedures	0%	0%	0%	0%
Ownership, Assignments, Recording in PTO	0%	0%	0%	0%
First Sale Doctrine / Implied License / Exhaustion	0%	0%	0%	0%
Hatch-Waxman Act Procedures	0%	0%	0%	0%
BPCIA	0%	0%	0%	0%



AFFIRMANCE/REVERSAL RATE OF ISSUES DECIDED BY AGENCY

AGENCY DECISIONS				
Issue	Affirm	Reverse	Both	Neither
§ 101 / Subject Matter Eligibility	33%	33%	33%	0%
§ 102 / Anticipation	45%	36%	18%	0%
§ 103 / Obviousness	56%	28%	16%	0%
Double Patenting	0%	0%	0%	0%
§ 112 / Written Description, Enablement, Definiteness	43%	43%	14%	0%
Level of Skill in the Art	100%	0%	0%	0%
Claim Construction	50%	38%	13%	0%
Infringement	50%	50%	0%	0%
Willful Infringement	0%	0%	0%	0%
Injunctive Relief	0%	0%	0%	0%
Monetary Relief	0%	0%	0%	0%
Laches, Estoppel	75%	25%	0%	0%
Inequitable Conduct	0%	0%	0%	100%
Inventorship, Interference, Derivation	100%	0%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	33%	67%	0%	0%
Design Patents	0%	0%	0%	0%
PTO Procedures	45%	45%	9%	0%
America Invents Act (AIA)	0%	67%	33%	0%
District Court Procedures	0%	0%	0%	0%
Jurisdiction, Venue, Standing	50%	0%	0%	50%
Federal Circuit Procedures	0%	0%	0%	0%
ITC Procedures	0%	0%	0%	0%
Ownership, Assignments, Recording in PTO	0%	0%	0%	0%
First Sale Doctrine / Implied License / Exhaustion	0%	0%	0%	0%
Hatch-Waxman Act Procedures	0%	0%	0%	0%
BPCIA	0%	0%	0%	0%



AFFIRMANCE/REVERSAL RATE OF ISSUES DECIDED BY JURY

JURY DECISIONS				
Issue	Affirm	Reverse	Both	Neither
§ 101 / Subject Matter Eligibility	0%	0%	0%	0%
§ 102 / Anticipation	67%	0%	33%	0%
§ 103 / Obviousness	100%	0%	0%	0%
Double Patenting	0%	0%	0%	0%
§ 112 / Written Description, Enablement, Definiteness	0%	0%	0%	0%
Level of Skill in the Art	0%	0%	0%	0%
Claim Construction	0%	0%	0%	0%
Infringement	86%	14%	0%	0%
Willful Infringement	0%	100%	0%	0%
Injunctive Relief	0%	0%	0%	0%
Monetary Relief	50%	0%	50%	0%
Laches, Estoppel	0%	0%	0%	0%
Inequitable Conduct	0%	0%	0%	0%
Inventorship, Interference, Derivation	0%	0%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	0%	0%	0%	0%
Design Patents	0%	0%	0%	0%
PTO Procedures	0%	0%	0%	0%
America Invents Act (AIA)	0%	0%	0%	0%
District Court Procedures	0%	0%	0%	0%
Jurisdiction, Venue, Standing	0%	0%	0%	0%
Federal Circuit Procedures	0%	0%	0%	0%
ITC Procedures	0%	0%	0%	0%
Ownership, Assignments, Recording in PTO	0%	0%	0%	0%
First Sale Doctrine / Implied License / Exhaustion	0%	0%	0%	0%
Hatch-Waxman Act Procedures	0%	0%	0%	0%
BPCIA	0%	0%	0%	0%



AFFIRMANCE/REVERSAL RATE BASED ON DISTRICT

Source	Affirm	Reverse	Both	Neither
Middle District of Alabama	0%	0%	0%	0%
Northern District of Alabama	0%	0%	0%	0%
Southern District of Alabama	0%	0%	0%	0%
District of Alaska	0%	0%	0%	0%
District of Arizona	0%	0%	0%	0%
Eastern District of Arkansas	0%	0%	0%	0%
Western District of Arkansas	0%	0%	0%	0%
Central District of California	50%	25%	13%	13%
Eastern District of California	0%	0%	0%	0%
Northern District of California	81%	6%	13%	0%
Southern District of California	100%	0%	0%	0%
District of Colorado	100%	0%	0%	0%
District of Columbia	100%	0%	0%	0%
District of Connecticut	0%	0%	0%	0%
District of Delaware	63%	25%	13%	0%
Middle District of Florida	100%	0%	0%	0%
Northern District of Florida	0%	0%	0%	0%
Southern District of Florida	0%	100%	0%	0%
Middle District of Georgia	0%	0%	0%	0%
Northern District of Georgia	0%	0%	0%	0%
Southern District of Georgia	0%	0%	0%	0%
District of Guam	0%	0%	0%	0%
District of Hawaii	0%	0%	0%	0%
District of Idaho	0%	0%	0%	0%
Central District of Illinois	0%	0%	0%	0%
Northern District of Illinois	40%	60%	0%	0%
Southern District of Illinois	0%	0%	0%	0%
Northern District of Indiana	0%	0%	0%	0%
Southern District of Indiana	100%	0%	0%	0%
Northern District of Iowa	0%	0%	0%	0%
Southern District of Iowa	0%	0%	0%	0%
District of Kansas	50%	50%	0%	0%
Eastern District of Kentucky	0%	0%	0%	0%
Western District of Kentucky	0%	0%	0%	0%
Eastern District of Louisiana	0%	0%	0%	0%

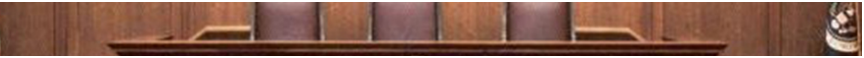
Source	Affirm	Reverse	Both	Neither
Middle District of Louisiana	0%	0%	0%	0%
Western District of Louisiana	0%	0%	0%	0%
District of Maine	0%	0%	0%	0%
District of Maryland	100%	0%	0%	0%
District of Massachusetts	67%	0%	0%	33%
Eastern District of Michigan	0%	0%	0%	0%
Western District of Michigan	75%	25%	0%	0%
District of Minnesota	0%	0%	0%	0%
Northern District of Mississippi	0%	0%	0%	0%
Southern District of Mississippi	0%	0%	0%	0%
Eastern District of Missouri	0%	0%	0%	0%
Western District of Missouri	0%	0%	0%	0%
District of Montana	0%	0%	0%	0%
District of Nebraska	100%	0%	0%	0%
District of Nevada	25%	25%	0%	50%
District of New Hampshire	0%	0%	0%	0%
District of New Jersey	0%	100%	0%	0%
District of New Mexico	0%	0%	0%	0%
Eastern District of New York	0%	0%	0%	0%
Northern District of New York	0%	0%	0%	0%
Southern District of New York	100%	0%	0%	0%
Western District of New York	100%	0%	0%	0%
Eastern District of North Carolina	0%	0%	0%	0%
Middle District of North Carolina	0%	0%	0%	0%
Western District of North Carolina	0%	0%	0%	0%
District of North Dakota	0%	0%	0%	0%
District of the Northern Mariana Islands	0%	0%	0%	0%
Northern District of Ohio	100%	0%	0%	0%
Southern District of Ohio	0%	0%	0%	0%
Eastern District of Oklahoma	0%	0%	0%	0%
Northern District of Oklahoma	0%	0%	0%	0%
Western District of Oklahoma	0%	0%	0%	0%
District of Oregon	60%	40%	0%	0%
Eastern District of Pennsylvania	0%	100%	0%	0%
Middle District of Pennsylvania	0%	0%	0%	0%
Western District of Pennsylvania	67%	33%	0%	0%

Source	Affirm	Reverse	Both	Neither
District of Puerto Rico	0%	0%	0%	0%
District of Rhode Island	0%	0%	0%	0%
District of South Carolina	0%	0%	0%	0%
District of South Dakota	0%	0%	0%	0%
Eastern District of Tennessee	0%	0%	0%	0%
Middle District of Tennessee	0%	0%	0%	0%
Western District of Tennessee	0%	0%	100%	0%
Eastern District of Texas	61%	17%	22%	0%
Northern District of Texas	100%	0%	0%	0%
Southern District of Texas	50%	50%	0%	0%
Western District of Texas	100%	0%	0%	0%
District of Utah	0%	0%	100%	0%
District of Vermont	0%	0%	0%	0%
District of the Virgin Islands	0%	0%	0%	0%
Eastern District of Virginia	78%	22%	0%	0%
Western District of Virginia	0%	0%	0%	0%
Eastern District of Washington	0%	0%	0%	0%
Western District of Washington	100%	0%	0%	0%
Northern District of West Virginia	0%	0%	0%	0%
Southern District of West Virginia	0%	0%	0%	0%
Eastern District of Wisconsin	80%	0%	0%	20%
Western District of Wisconsin	50%	50%	0%	0%
District of Wyoming	0%	0%	0%	0%



**TOP DISTRICTS THAT FEDERAL CIRCUIT AFFIRMED/REVERSED
(BY PERCENTAGE)**

	Affirm		Reverse		Both		Neither
District of Colorado	100%	District of New Jersey	100%	District of Utah	100%	District of Nevada	50%
District of Columbia	100%	Eastern District of Pennsylvania	100%	Western District of Tennessee	100%	District of Massachusetts	33%
District of Maryland	100%	Southern District of Florida	100%	Eastern District of Texas	22%	Eastern District of Wisconsin	20%
District of Nebraska	100%	Northern District of Illinois	60%	Central District of California	13%	Central District of California	13%
Middle District of Florida	100%	District of Kansas	50%	District of Delaware	13%		
Northern District of Ohio	100%	Southern District of Texas	50%	Northern District of California	13%		
Northern District of Texas	100%	Western District of Wisconsin	50%				
Southern District of California	100%	District of Oregon	40%				
Southern District of Indiana	100%	Western District of Pennsylvania	33%				
Southern District of New York	100%						
Western District of New York	100%						
Western District of Texas	100%						
Western District of Washington	100%						



**TOP DISTRICTS THAT FEDERAL CIRCUIT AFFIRMED/REVERSED
(BY NUMBER OF CASES)**

	Affirm		Reverse		Both		Neither
Eastern District of Texas	14	District of Delaware	4	Eastern District of Texas	5	District of Massachusetts	2
Northern District of California	13	Eastern District of Texas	4	District of Delaware	2	District of Nevada	2
District of Delaware	10	District of New Jersey	3	Northern District of California	2	Central District of California	1
Eastern District of Virginia	7	Northern District of Illinois	3	Central District of California	1	Eastern District of Wisconsin	1
District of Nebraska	6	Central District of California	2	District of Utah	1		
Central District of California	4	District of Oregon	2	Western District of Tennessee	1		
District of Massachusetts	4	Eastern District of Virginia	2				
Eastern District of Wisconsin	4						
Southern District of Indiana	4						

PARTY WIN RATE BY DISTRICT

Source	Patentee	Opponent	Both	Neither
Middle District of Alabama	0%	0%	0%	0%
Northern District of Alabama	0%	0%	0%	0%
Southern District of Alabama	0%	0%	0%	0%
District of Alaska	0%	0%	0%	0%
District of Arizona	0%	0%	0%	0%
Eastern District of Arkansas	0%	0%	0%	0%
Western District of Arkansas	0%	0%	0%	0%
Central District of California	63%	13%	13%	13%
Eastern District of California	0%	0%	0%	0%
Northern District of California	35%	59%	6%	0%
Southern District of California	0%	100%	0%	0%
District of Colorado	0%	100%	0%	0%
District of Columbia	100%	0%	0%	0%
District of Connecticut	0%	0%	0%	0%
District of Delaware	50%	38%	13%	0%
Middle District of Florida	0%	100%	0%	0%
Northern District of Florida	0%	0%	0%	0%
Southern District of Florida	0%	100%	0%	0%
Middle District of Georgia	0%	0%	0%	0%
Northern District of Georgia	0%	0%	0%	0%
Southern District of Georgia	0%	0%	0%	0%
District of Guam	0%	0%	0%	0%
District of Hawaii	0%	0%	0%	0%
District of Idaho	0%	0%	0%	0%
Central District of Illinois	0%	0%	0%	0%
Northern District of Illinois	60%	40%	0%	0%
Southern District of Illinois	0%	0%	0%	0%
Northern District of Indiana	0%	0%	0%	0%
Southern District of Indiana	100%	0%	0%	0%
Northern District of Iowa	0%	0%	0%	0%
Southern District of Iowa	0%	0%	0%	0%
District of Kansas	50%	50%	0%	0%
Eastern District of Kentucky	0%	0%	0%	0%
Western District of Kentucky	0%	0%	0%	0%
Eastern District of Louisiana	0%	0%	0%	0%

Source	Patentee	Opponent	Both	Neither
Middle District of Louisiana	0%	0%	0%	0%
Western District of Louisiana	0%	0%	0%	0%
District of Maine	0%	0%	0%	0%
District of Maryland	0%	100%	0%	0%
District of Massachusetts	86%	14%	0%	0%
Eastern District of Michigan	0%	0%	0%	0%
Western District of Michigan	75%	0%	0%	25%
District of Minnesota	0%	0%	0%	0%
Northern District of Mississippi	0%	0%	0%	0%
Southern District of Mississippi	0%	0%	0%	0%
Eastern District of Missouri	0%	0%	0%	0%
Western District of Missouri	0%	0%	0%	0%
District of Montana	0%	0%	0%	0%
District of Nebraska	0%	83%	17%	0%
District of Nevada	50%	25%	0%	25%
District of New Hampshire	0%	0%	0%	0%
District of New Jersey	0%	100%	0%	0%
District of New Mexico	0%	0%	0%	0%
Eastern District of New York	0%	0%	0%	0%
Northern District of New York	0%	0%	0%	0%
Southern District of New York	0%	100%	0%	0%
Western District of New York	0%	100%	0%	0%
Eastern District of North Carolina	0%	0%	0%	0%
Middle District of North Carolina	0%	0%	0%	0%
Western District of North Carolina	0%	0%	0%	0%
District of North Dakota	0%	0%	0%	0%
District of the Northern Mariana Islands	0%	0%	0%	0%
Northern District of Ohio	0%	100%	0%	0%
Southern District of Ohio	0%	0%	0%	0%
Eastern District of Oklahoma	0%	0%	0%	0%
Northern District of Oklahoma	0%	0%	0%	0%
Western District of Oklahoma	0%	0%	0%	0%
District of Oregon	60%	20%	20%	0%
Eastern District of Pennsylvania	100%	0%	0%	0%
Middle District of Pennsylvania	0%	0%	0%	0%
Western District of Pennsylvania	0%	100%	0%	0%



Source	Patentee	Opponent	Both	Neither
District of Puerto Rico	0%	0%	0%	0%
District of Rhode Island	0%	0%	0%	0%
District of South Carolina	0%	0%	0%	0%
District of South Dakota	0%	0%	0%	0%
Middle District of Tennessee	0%	0%	0%	0%
Eastern District of Tennessee	0%	0%	0%	0%
Western District of Tennessee	0%	0%	100%	0%
Eastern District of Texas	57%	26%	13%	4%
Northern District of Texas	100%	0%	0%	0%
Southern District of Texas	0%	50%	0%	50%
Western District of Texas	0%	100%	0%	0%
District of Utah	0%	0%	100%	0%
District of Vermont	0%	0%	0%	0%
District of the Virgin Islands	0%	0%	0%	0%
Eastern District of Virginia	78%	22%	0%	0%
Western District of Virginia	0%	0%	0%	0%
Eastern District of Washington	0%	0%	0%	0%
Western District of Washington	0%	100%	0%	0%
Northern District of West Virginia	0%	0%	0%	0%
Southern District of West Virginia	0%	0%	0%	0%
Eastern District of Wisconsin	80%	0%	0%	20%
Western District of Wisconsin	100%	0%	0%	0%
District of Wyoming	0%	0%	0%	0%



**TOP PARTY WIN RATE BY DISTRICT
(BY PERCENTAGE)**

	Patentee		Opponent		Both		Neither
District of Columbia	100%	District of Colorado	100%	District of Utah	100%	Southern District of Texas	50%
Eastern District of Pennsylvania	100%	District of Maryland	100%	Western District of Tennessee	100%	District of Nevada	25%
Northern District of Texas	100%	District of New Jersey	100%	District of Oregon	20%	Western District of Michigan	25%
Southern District of Indiana	100%	Middle District of Florida	100%	District of Nebraska	17%	Eastern District of Wisconsin	20%
Western District of Wisconsin	100%	Northern District of Ohio	100%	Eastern District of Texas	13%	Central District of California	13%
District of Massachusetts	86%	Southern District of California	100%	Central District of California	13%	Eastern District of Texas	4%
Eastern District of Wisconsin	80%	Southern District of Florida	100%	District of Delaware	13%		
Eastern District of Virginia	78%	Southern District of New York	100%	Northern District of California	6%		
Western District of Michigan	75%	Western District of New York	100%				
Central District of California	63%	Western District of Pennsylvania	100%				
District of Oregon	60%	Western District of Texas	100%				
Northern District of Illinois	60%	Western District of Washington	100%				
Eastern District of Texas	57%	District of Nebraska	83%				



**TOP PARTY WIN RATE BY DISTRICT
(BY NUMBER OF CASES)**

	Patentee		Opponent		Both		Neither
Eastern District of Texas	13	Northern District of California	10	Eastern District of Texas	3	Central District of California	1
District of Delaware	8	District of Delaware	6	District of Delaware	2	District of Nevada	1
Eastern District of Virginia	7	Eastern District of Texas	6	Central District of California	1	Eastern District of Texas	1
District of Massachusetts	6	District of Nebraska	5	District of Nebraska	1	Eastern District of Wisconsin	1
Northern District of California	6	District of New Jersey	3	District of Oregon	1	Southern District of Texas	1
Central District of California	5	Southern District of New York	3	District of Utah	1	Western District of Michigan	1
Eastern District of Wisconsin	4	Western District of Pennsylvania	3	Northern District of California	1		
Southern District of Indiana	4	Western District of Texas	3	Western District of Tennessee	1		
District of Oregon	3						
Northern District of Illinois	3						
Western District of Michigan	3						

PARTY WIN RATE BY TRIBUNAL

Source	Patentee Won	Opponent Won	Both Won	Neither Won
District Court	48%	41%	7%	4%
PTO	31%	51%	9%	9%
ITC	50%	50%	0%	0%
CFC	43%	29%	0%	29%

AFFIRMANCE/REVERSAL RATE BY TRIBUNAL

Source	Affirm	Reverse	Both	Neither
District Court	68%	20%	8%	4%
PTO	49%	31%	14%	6%
ITC	50%	50%	0%	0%
CFC	0%	71%	0%	29%

GIBSON DUNN'S FEDERAL CIRCUIT CLERKS

Gibson Dunn is proud to have as key members of its Appellate and Intellectual Property practices fifteen former clerks from the U.S. Court of Appeals for the Federal Circuit, spanning over 20 years of the Federal Circuit's 25-year history:



William C. Rooklidge (Former Chief Judge Nies, 1985-87), a partner in the Orange County office of Gibson, Dunn & Crutcher, joined the firm in 2015. A member of the firm's Litigation Department and Intellectual Property Practice Group, he has extensive experience in patent and trademark infringement litigation in the federal district courts and before the United States Court of Appeals for the Federal Circuit, as well as arbitration of patent disputes.



Brian Buroker (Judge Bryson, 1996-97) is a partner in Gibson, Dunn & Crutcher's Washington, D.C. office and is a member of the firm's Intellectual Property Practice. He is a member of the firm's Intellectual Property Practice, focusing on patent litigation, appeals and complex patent issues, having tried patent cases, litigated many patent cases to resolution, argued cases at the Federal Circuit and handled complex patent reexaminations, covered business method review and *inter partes* review proceedings at the U.S. Patent Office.



Stuart M. Rosenberg (Former Chief Judge Michel, 2007-08) is a partner in the Palo Alto office of Gibson, Dunn & Crutcher, where his practice focuses on intellectual property litigation. He has represented clients in a variety of industries and technologies, including software, consumer electronics, medical devices, sporting goods, and automotive design.



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Nathan R. Curtis (Judge Dyk, 2011-12) is an associate in the Dallas office of Gibson, Dunn & Crutcher and practices in the Intellectual Property Group of the firm's Litigation Department. He has litigated numerous complex intellectual property cases in a wide range of technological fields, including computer architecture, telecommunications networking, medical devices, semiconductors, and steel manufacturing.



Kate Dominguez (Judge Taranto, 2013-14) is a litigation associate in the New York office of Gibson, Dunn & Crutcher and is a member of Gibson Dunn's Intellectual Property Practice Group. Ms. Dominguez has litigated patent cases across a broad spectrum of technologies, including global positioning systems, interactive television, intrusion detection, mobile communications, and wireless networking.



Christine Ranney (Judge Newman, 2013-15) is an associate in the San Francisco Office of Gibson, Dunn & Crutcher and is a member of the firm's Litigation department, where she focuses on patent litigation. Before her clerkship, Ms. Ranney was an analyst in a leadership development program at Merck & Co.



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Ryan Iwahashi (Judge O'Malley, 2014-15) is an associate in the Palo Alto office of Gibson, Dunn & Crutcher and is a member of the firm's Litigation department. His practice focuses on intellectual property litigation and he has experience in a range of technologies, including software, consumer electronics, and medical devices.



Andrew Robb (Judge Dyk, 2014-15) is an associate in the Palo Alto office of Gibson, Dunn & Crutcher. He currently practices with the firm's Litigation Department.



Aaron Frumkin (Judge Dyk, 2015-16) is an associate in the Los Angeles office of Gibson, Dunn & Crutcher. He is a member of the firm's Litigation department.



Taylor King (Judge O'Malley, 2016-17) is an associate in the Orange County office of Gibson, Dunn & Crutcher. Taylor is a member of the firm's Litigation department and his practice focuses on intellectual property litigation.



Andrew Wilhelm (Judge Reyna, 2016-17) is an associate in the Washington, D.C. office of Gibson, Dunn & Crutcher. Andrew is a member of the firm's Litigation department.

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CASE SUMMARIES

AdjustaCam, LLC v. Newegg, Inc.,
861 F.3d 1353 (Fed. Cir. 2017)

Reversing the district court, this decision found the underlying litigation exceptional under the *Octane* standard and awarded attorneys' fees. Takeaway: under the *Octane* test (1) continuing litigation after a *Markman* order renders the infringement claim objectively baseless is frivolous; (2) serving expert reports and declarations last-minute constitutes unreasonable litigation; and (3) a pattern of low and erratic settlements reinforces unreasonableness.

AdjustaCam sued Newegg and dozens of other defendants for infringement of its patent on a rotating camera clip. AdjustaCam settled several of these actions for less than the cost of litigation, but continued its suit against Newegg. The district court issued a *Markman* order construing the patent's claims to cover rotation over a single axis. Newegg's product allowed rotation about multiple axes. AdjustaCam continued the litigation regardless. The day of their expert's deposition, AdjustaCam served a "supplemental" infringement report, claiming to have inadvertently submitted a draft report previously. When the case settled Newegg filed for attorneys' fees. After denial at the district court, and while the issue was pending appeal, the Supreme Court decided *Octane*, causing the Federal Circuit to remand Newegg's claim for reevaluation. On remand, after allowing AdjustaCam to submit additional expert declarations, the district court again denied the fee claim.

The Federal Circuit reversed, finding the litigation exceptional in part because AdjustaCam's infringement suit became objectively baseless after the *Markman* order, making continued litigation frivolous. AdjustaCam also litigated the case in an unreasonable manner by serving last-minute expert reports and after-the-fact declarations. Lastly, AdjustaCam's damages methodology, which asserted nuisance-value damages against many defendants and settled for widely varied royalty rates (between \$0.10 per unit and \$161.29 per unit), while not determinative on its own, played a role in making the case exceptional.

Affinity Labs of Texas, LLC v. Amazon.com, Inc.,
838 F.3d 1266 (Fed. Cir. 2016)

A generalized claim which describes a desired function without including any limitations to confine the reach of that claim may be directed towards an abstract concept. The addition of basic customization features may not add an inventive concept sufficient to render the claim patentable. In this case, the Federal Circuit considered whether a patent for a method of targeted advertising claimed ineligible subject matter.

Affinity Labs of Texas LLC owns a patent purportedly directed to a method of targeted advertising. Nineteen of the twenty claims within the patent, however, claimed media systems which delivered content to handheld wireless devices. Affinity sued Amazon.com Inc. for infringing these media system claims by allowing customers to stream music from



a customized library on its Amazon Music system. Applying *Alice*, a magistrate judge found that the patent claims were directed to ineligible subject matter and did not contain an inventive concept sufficient to render the claims patentable. The magistrate judge recommended that the district court enter judgment in Amazon’s favor, and the district court agreed.

On appeal, the Federal Circuit unanimously affirmed the district court’s holding. Applying step one of *Alice*, the court found the claims were directed to an abstract concept since they described a general function and included no limitations to confine the claim to a particular manifestation. At step two, the court found that there was no inventive concept to transform the claimed concept into patent-eligible subject matter. The customized user interface was the only potential addition to the abstract concept, but this interface alone was not enough of an inventive step to render the claim patentable.

***Affinity Labs of Texas, LLC v. DIRECTV, LLC*,**
838 F.3d 1253 (Fed. Cir. 2016)

The Federal Circuit once again clarified the *Alice* patentability test in an appeal from the Western District of Texas. The court’s application of the two-step test illustrates that a patent can fail both steps if its claims are stated in functional terms without offering a particular technical solution for implementing the function, even if the claims are limited to specific technical components. Takeaway: claims drafted in functional terms are not made less abstract by being limited to specific technical platforms or contexts.

Affinity Labs of Texas, LLC sued nine defendants alleging infringement of U.S. Patent No. 7,970,379. The ’379 patent’s claims were directed to a broadcast system that facilitated the streaming of regional broadcast signals to cellphones located outside the region served by the regional broadcaster. The system contained three key elements. First, the system requested and received network-based content from the broadcaster. Second, the system was configured to download an application which received the said network-based content. Third, the system contained a display that allowed the user to select particular content.

The district court granted defendants’ motion to dismiss Affinity’s complaint, finding that the asserted claims failed the two-step patentability inquiry set forth in *Mayo* and *Alice* and thus were not patent-eligible under 35 U.S.C. § 101. The Federal Circuit affirmed the decision.

On appeal, the Federal Circuit, like the district court, applied the *Alice* test to determine the patentability of the relevant claims. Addressing the first prong, the Federal Circuit panel determined that the ’379 patent’s claims were directed to an abstract idea, holding that providing regionally broadcast content to users outside the broadcast region is a “broad and familiar concept that was untethered to any specific or concrete way of implementing it.”

As the panel held, the patent was not directed to the solution of a “technological problem.” The ’379 patent instead claimed the general “function of wirelessly communicating regional broadcast content to an out-of-region recipient, not a particular way of performing



that function.” As such, the patent’s recitation of general components, such as a cellphone and a graphical user interface, was insufficient—it did not explain how to implement the broadcast itself.

Moreover, the fact that the claims were limited to cell phones also did not make them less abstract, it just made them “not as broad as the abstract idea underlying them.” As the panel held, “merely limiting the field of use of the abstract idea to a particular existing technological environment does not render the claims any less abstract.”

The panel then employed a very similar analysis in addressing step two of the *Alice* test, finding no “inventive concept” capable of transforming the abstract idea at issue into patentable subject matter. The ’379 patent’s claims merely recited the use of generic features of cellphones, such as a storage medium and a graphical user interface, to implement the underlying function. But, as the panel held, reciting “generic computer implementation” cannot serve as an “inventive concept.” As the panel summarized, claims that are “so result-focused, so functional, as to effectively cover any solution to an identified problem” are often unpatentable. Here, the ’379 patent’s claims were drafted to encompass any means of wireless delivery of out-of-region broadcasting content to a cellphone, and hence fell outside Section 101.

Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.,
841 F.3d 1334 (Fed. Cir. 2016)

In an appeal concerning cochlear implants with telemetry functionality, the Federal Circuit panel issued a unanimous decision on claim construction and the standard for willful infringement analysis, but split on questions of indefiniteness. Takeaway: a patent containing a means-plus-function limitation whose corresponding structure is a microprocessor must disclose a specific, corresponding algorithm in the specification.

Alfred E. Mann Foundation for Scientific Research sued Cochlear Corporation for infringing claims 1 and 10 of U.S. Patent No. 5,609,616 and claims 6–7 of U.S. Patent No. 5,938,691. The patents covered an aural implant with telemetry functionality for testing purposes. In the underlying litigation, all of the asserted claims were found to be invalid for indefiniteness, except claim 10 of the ’616 patent. Cochlear’s products were found to infringe that claim, although the court granted Cochlear’s motion that the alleged infringement was not willful. The court also granted Cochlear a new trial on damages. The parties then cross-appealed accordingly.

On the issue of indefiniteness, the panel majority affirmed the finding that some of the claims (claims 6–7 of the ’691 patent) were indefinite. These claims contained means-plus-function limitations whose corresponding structure was a microprocessor. Thus, the disclosure of an algorithm is required to avoid improper pure functional claiming. The patentee argued that the specification contained the requisite algorithm because the microprocessor implemented a logarithmic conversion function to generate data about received audio signals. The panel majority disagreed because the logarithmic conversion could be implemented through multiple algorithms, none of which were disclosed in the



specification. The majority held that the patentee was thus required to disclose an algorithmic structure, which it did not.

The panel, however, unanimously reversed the finding of indefiniteness regarding claim 1 of the '616 patent. Here, the patent disclosed the requisite algorithm, but did not disclose the formula to calculate the relationship between electrical voltage, current, and resistance. The panel majority held that a person of skill in the art would know how to perform this calculation, and thus it did not need to be disclosed.

The panel also unanimously affirmed the lower court's claim construction for claim 10 of the '616 patent and accordingly affirmed the finding that Cochlear infringed that claim. Cochlear argued that its products neither "displayed" the voltage between two electrodes, nor made those values "known" as it alleged the claim required. The panel disagreed, holding that the claim did not require the voltage to be displayed (only "conveyed"), and that, because the system set forth the current and impedance levels, the voltage was thus "made known" via a simple formula known in the art (*i.e.*, voltage = current x impedance).

Further, the panel vacated the district court's determination that Cochlear's infringement was not willful. The court found that the district court impermissibly used the unduly rigid *Seagate* test instead of the Supreme Court's *Halo* standard, which requires only a showing that Cochlear's infringement constituted an egregious case of misconduct beyond typical infringement. Thus, the panel remanded the matter for findings on willfulness consistent with *Halo*.

Finally, the panel majority determined that it lacked jurisdiction to consider the issue of whether the district court abused its discretion in granting a new trial on damages. The panel noted that it generally has jurisdiction over an appeal only if the decision is "final" under 28 U.S.C. § 1295(a)(1), or as specified under 28 U.S.C. § 1292, and such was not the case here—"damages h[ad] not been finally decided." As the majority reasoned, "[a] new trial is not a final order."

Judge Newman concurred in part and dissented in part. Judge Newman concurred that claims 1 and 10 of the '616 patent were not invalid under section 112. Judge Newman also concurred in upholding infringement of claim 10, and in remanding for findings on willfulness. But Judge Newman dissented as to whether claims 6–7 of the '691 patent were indefinite, stating that indefiniteness would only be justified if persons skilled in the art were unable to perform the recited function based on the specification's disclosure. Here, however, experts for both sides agreed that persons of skill in the field would be able to perform the necessary conversion. Judge Newman also dissented from the majority's finding that it did not have jurisdiction to review the grant of a new trial on damages, arguing that the panel could have heard the appeal because the district court had certified the decision for appeal under Federal Rule of Civil Procedure 54(b). According to Judge Newman, the issue is one of practical jurisprudence and comity, not strictly jurisdictional, thus allowing an appeal to proceed.

Amdocs (Israel) Limited v. Openet Telecom, Inc.,
841 F.3d 1288 (Fed. Cir. 2016)

The Federal Circuit reversed the district court's determination that patent claims covering accounting and billing software encompassed subject matter that was not patent-eligible under 35 U.S.C. § 101. The panel majority reasoned that utilizing components in an unconventional way to achieve a specific technological improvement conferred patent eligibility under Section 101.

Amdocs sued Openet Telecom for infringement of its four patents, which generally covered computer programs for processing network accounting information, and reporting on a collection of network usage information from a plurality of network devices. The district court held that the claims were not patent-eligible. For example, the district court held that certain claims were directed to the abstract idea of "correlating two network accounting records to enhance the first record," with no inventive concept.

The panel majority disagreed, holding that all of the claims were patent-eligible. The majority held, for instance, that even if the claims were directed to an abstract idea, they contained an inventive concept because they recited an "unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases)." And even though the solution "require[d] arguably generic components," the claims required that the components "operate in an unconventional manner to achieve an improvement in computer functionality." The majority held that the claims of the remaining patents likewise contained an inventive concept and were therefore patent-eligible.

Judge Reyna dissented in part, stating that the claims of one of the patents merely covered "combining information from different sources," with no inventive concept. Judge Reyna stated that limiting that abstract idea to the context of network accounting records did not confer an inventive concept. Judge Reyna further stated that claims of one of the other patents also failed to supply an inventive concept because they did not recite "an inventive way of permitting the user to select the functions or otherwise customize" the claimed enhancement functions.

Apple Inc. v. Samsung Elecs. Co.,
839 F.3d 1034 (Fed. Cir. 2016)

The Federal Circuit granted *en banc* review of a panel decision and reinstated a \$120 million verdict that Apple won against Samsung in 2014 when a jury found that Samsung infringed three of Apple's patents relating to smartphone features. An 8-3 court faulted the panel for considering evidence that was not in the record, failing to give proper deference to the jury's factual findings, and deciding issues that were not raised on appeal. It ruled that the panel wrongly determined that two of the patents were invalid and one was not infringed, noting that there was no need for additional briefing and argument to correct errors in the panel's February decision. Takeaway: as observed in the Supreme Court's decisions in *Teva* and *Halo*, an appellate court must give substantial deference to the findings of the district court and the jury.



In the underlying case, the United States District Court for the Northern District of California granted summary judgment of infringement as to Apple's autocorrect patent. Following a thirteen-day trial, the jury found the quick links patent infringed, the slide-to-unlock patent infringed and not invalid, and the autocorrect patent not invalid. The district court denied Samsung's motions for judgment as a matter of law. In February 2016, a panel of the Federal Circuit reversed the denial of JMOL, holding that Apple's patents covering slide-to-unlock and autocorrect features were invalid as obvious and that Apple failed to prove that Samsung infringed the quick links patent. Apple's petition for rehearing *en banc* primarily questioned the panel's decision to reverse nearly every one of the jury's findings of fact that favored Apple. The Federal Circuit granted the petition to reestablish the boundaries of the "appellate function."

In a majority decision written by Judge Moore, the full Federal Circuit reiterated that the court cannot consider evidence outside the record or engage in fact finding. It affirmed and reinstated the district court's judgments.

As to the quick links patent, the court found that the district court record contained substantial evidence that Samsung's products met the "analyzer server" and "linking actions" limitations. The parties had agreed to give claim constructions established in a prior case to the jury. The Federal Circuit criticized the panel for relying on extrinsic evidence to modify the agreed upon, and unappealed, claim constructions, and for considering the factual question of whether Samsung's phones met the "analyzer server" limitation.

As to the slide-to-unlock patent, the court upheld the jury verdict of infringement and non-obviousness. The parties disputed whether a person of ordinary skill in the art would have been motivated to combine two prior art references. Apple argued that "a skilled artisan designing a mobile phone would not have been motivated to turn to a wall-mounted air conditioning controller to solve the pocket dialing problem" and "would not have been naturally motivated to combine" the references. The Federal Circuit agreed, and also found substantial evidence on the record to support secondary indicia of non-obviousness. Considering the jury's fact determinations, and on *de novo* review of the ultimate legal determination, the court held that Samsung failed to establish obviousness by clear and convincing evidence. The court also remanded the district court's finding of no willful infringement for reconsideration under the Supreme Court's recent decision in *Halo*.

Finally, the Federal Circuit likewise found substantial evidence supporting the jury verdict of patentability and non-obviousness as to the autocorrect patent. It criticized the panel's failure to properly consider Apple's evidence of objective indicia that the patents were not invalid, noting that it is "beyond the [appellate court's] role to reweigh the evidence or consider what the record might have supported, or investigate potential arguments that were not meaningfully raised." It affirmed the district court's grant of summary judgment that Samsung's accused devices infringed the patent after finding no clear error in the court's construction of the term "keyboard."

Chief Judge Prost, Judge Dyk, and Judge Reyna, the members of the original appellate panel overturned in this case, wrote strong dissents. Chief Judge Prost argued that the

majority misapplied the substantial evidence standard and that no jury could rationally conclude that the autocorrect and slide-to-unlock patents were not obvious or that Samsung infringed the quick links patent. Judge Dyk emphasized the effect of the majority's holding on the law of obviousness. He noted that the majority turned motivation to combine and weight of secondary considerations into jury questions, making proof of obviousness more difficult. Judge Reyna wrote separately to stress that *en banc* review should not have been granted in the first instance. In his opinion, the *en banc* decision failed to harmonize a disagreement or answer an exceptionally important question. Rather, the majority took the case merely because it disagreed with the panel decision.

***Apple, Inc. v. Ameranth, Inc.*,**
842 F.3d 1229 (Fed. Cir. 2016)

The Federal Circuit further clarified the contours of the “technological invention” exception to covered business method patents, and reaffirmed the unpatentability of abstract ideas that purport to be implemented through generic hardware and software.

Ameranth, Inc. owned U.S. Patent Nos. 6,384,850; 6,871,325; and 6,982,733. Ameranth's three patents disclosed nearly identical computer systems. The systems generated a first menu that had categories and items. The software was capable of generating a second menu comprised of the selections made in the first menu. The second menu could then be transmitted to a wireless handheld device or web page. The patents disclosed a preferred embodiment for use at restaurant points of sale. While food ordering had historically been done verbally, the patents claimed to allow for electronic ordering by creating a menu capable of being displayed on wireless devices and the internet.

Ameranth appealed the PTAB's finding that all three patents were CBM patents. It also appealed the PTAB's finding that the '325 patent and the '850 patent contained unpatentable claims under 35 U.S.C. § 101. On the other hand, Apple and other opposing parties appealed the PTAB's finding that they had not met their burden of showing that some of the claims of the '733 patent were unpatentable under Section 101.

The court affirmed the PTAB's finding that the patents were CBM patents. Ameranth argued that its patents disclosed technological inventions, which are excluded from the definition of CBM patents. To determine whether claims recite a technological invention, the following two prongs of 37 C.F.R. § 42.301(b) must be considered: (1) recitation of a technological feature that is novel and unobvious over the prior art, and (2) solving a technical problem using a technical solution. Ameranth argued that it fulfilled the second prong of the inquiry because the patents solved the problem of how to display computerized menus on non-standard devices. It also argued that the patent intended to solve problems arising when customers request something unusual or unanticipated. But the court agreed with the PTAB that Ameranth failed to fulfill the “technical solution” prong because the solution regarding the display of computerized menus had not been recited in the claims, and the problem of unusual customer requests was more of a business problem than a technical one.

Next, the court affirmed the PTAB's unpatentability finding as to the '325 and '850 patents. The court first affirmed the PTAB's holding that the claims at issue were directed to an abstract idea. Specifically, the patent claims were directed to a result that is itself an abstract idea, and they merely invoked generic software and machinery. That is, the patents claimed menus with particular features, but failed to invoke a particular way of programming the software to create the menus. Second, the court also agreed that even when considered in combination, the claim elements failed to make the claims into a patent-eligible application of an abstract idea. The specifications described the invention's hardware elements as "typical" and its required software as "commonly known." Further, the invention's preferred embodiment was an electronic device that served as a substitute for a server's notepad by allowing menu items to be selected as a customer places an order. The specifications thus merely applied conventional computer components to well-known business practices, making the claims unpatentable. As the court reasoned, for patent eligibility, it is not enough to have well-known business practices and say "do it with a computer."

ArcelorMittal v. AK Steel Corp.,
856 F.3d 1365 (Fed. Cir. 2017)

In a split decision, the Federal Circuit affirmed the district court's grant of summary judgment of noninfringement and invalidity of two patent claims. The court examined whether the district court lacked subject matter jurisdiction when it granted the opponent's motion for summary judgment and denied the patentee's motion to dismiss. The majority found the district court properly considered the two claims and that a covenant-not-to-sue did not render the dispute moot. In dissent, Judge Wallach argued that the covenant, in addition to the opponent's failure to demonstrate an immediate controversy thereafter, rendered the dispute moot. Takeaway: a conditional covenant-not-to-sue will be examined based on the mechanism of delivery, in addition to the covenant's content, and if conditions surround the covenant-not-to-sue, the dispute is likely not moot.

In the initial infringement suit below, ArcelorMittal brought suit against several defendants alleging infringement of the '805 patent. The patent described a process for covering a boron steel sheet with aluminum-based coating after rolling the sheet. The district court invalidated the claims as anticipated and obvious. The Federal Circuit then reversed the claim construction in part, finding that the claims were not anticipated, and remanded for the district court to address infringement and commercial success. Thereafter, the PTO reissued the '805 patent as the RE'153 patent, which resulted in ArcelorMittal filing two patent infringement suits on the RE'153 patent. After ArcelorMittal moved to amend its complaint in the initial suit to substitute allegations of infringement of the RE'153 patent for the '805 patent, the district court invalidated claims 1 through 25 because of improper broadening. The Federal Circuit, however, reversed the holding as to claims 24 and 25. ArcelorMittal then filed a motion to dismiss for lack of jurisdiction in the initial suit because claims 24 and 25 were not part of the case on remand. On the same day, the defendants moved for summary judgment of noninfringement and invalidity of claims 24 and 25. As part of the briefing, ArcelorMittal submitted a letter and an executed covenant not to sue the defendants under the contested patent. By the terms of the letter, however, the covenant-not-to-sue was conditioned on the resolution of a pending motion to amend



in another case. The district court granted the defendant's motion for summary judgment, while denying ArcelorMittal's motion to dismiss for lack of jurisdiction.

On appeal, ArcelorMittal argued that it never asserted claims 24 and 25 against the defendants in the initial suit. The Federal Circuit found, however, that ArcelorMittal's prior statements to the court and its tacit acceptance of the defendants' representations about the litigation status of claims 24 and 25 reflected that ArcelorMittal attempted to assert those claims. Thus, the court held that the district court properly exercised subject matter jurisdiction. The court further found that because ArcelorMittal offered the covenant-not-to-sue contingent on the resolution of ArcelorMittal's motion, it did not moot the dispute. To reach this conclusion, the court considered not only the language of the covenant-not-to-sue but also the terms of the cover letter, which expressly conditioned the offer on the resolution of ArcelorMittal's motion.

In a dissenting opinion, Judge Wallach disagreed with the majority's approach of interpreting the covenant-not-to-sue by considering the extrinsic evidence of the language in the cover letter. Judge Wallach argued that since the covenant's terms were unambiguous, the court should look only at the language of the executed covenant. The covenant stated that ArcelorMittal would not pursue any further infringement claims against the defendants for the contested patent. Since the defendants failed to demonstrate any reasonable expectation of additional litigation regarding the patent, Judge Wallach contended that the covenant should have rendered the dispute between the parties moot.

Arendi S.A.R.L. v. Apple Inc., et al.,
832 F.3d 1355 (Fed. Cir. 2016)

Conclusory appeals to "common sense" are generally no substitute for reasoned analysis and evidentiary support when conducting an obviousness analysis, especially when such common sense is invoked to supply a claim limitation that is missing from the prior art. The Federal Circuit reversed the determination of the PTAB that certain claims of a patent were obvious under 35 U.S.C. § 103 because the PTAB based its obviousness determination on conclusory references to "common sense."

After the patentee brought an infringement action, the defendants challenged the patent's validity in an IPR before the PTAB. The patent is directed to a process that coordinates between a first computer program displaying a document and a second computer program for searching an external information source. The PTAB found the patent obvious under Section 103 based on a single prior art reference that disclosed all but a single limitation of the challenged claim. The PTAB concluded that, based on the prior art reference, it would have been obvious as a matter of common sense to supply the single missing limitation.

The Federal Circuit determined that the PTAB misapplied "common sense" in supplying a missing limitation and finding the claimed invention obvious under Section 103. While common sense, common wisdom, and common knowledge do appropriately play a role in conducting an obviousness analysis, the court noted three caveats when using common sense to assess obviousness. First, common sense is typically invoked to provide a

motivation to combine prior art references, not to supply a missing claim limitation. Second, where common sense is invoked to supply a limitation that is entirely missing from the prior art, the limitation in question should be unusually simple and the technology particularly straightforward. The cases where common sense is invoked to supply a missing limitation are the exception, not the rule. Third, references to “common sense” cannot be used as a wholesale substitute for reasoned analysis and evidentiary support, especially when common sense is used to supply a limitation that is missing from the prior art and central to the claimed invention. Indeed, in cases in which “common sense” is used to supply a missing limitation (as opposed to merely providing a motivation to combine prior art references), the court’s search for a reasoned basis for resorting to common sense “must be searching.” Based on these principles, the Federal Circuit held that the PTAB erred in its conclusory invocation of “common sense” to conclude that the patent was obvious and reversed the PTAB’s determination that the patent was invalid.

Asetek Danmark A/S v. CMI USA Inc.,
852 F.3d 1352 (Fed. Cir. 2017)

In an appeal from the Northern District of California, the Federal Circuit affirmed a finding of infringement, no invalidity, and royalty damages. The Federal Circuit affirmed in part an injunction against CMI USA Inc. and Cooler Master Co., LTD, but vacated and remanded in part, insofar as the injunction “reached Cooler Master’s conduct that does not abet new violations by CMI.”

Asetek Danmark A/S initially sued CMI and Cooler Master, asserting infringement of its patents, U.S. Patent Nos. 8,240,362 and 8,245,764, that claim and specify systems and methods to cool the “central processing unit (CPU) or other processing unit of a computer system” with a cooling liquid. CMI counterclaimed invalidity. Before trial, Asetek dismissed with prejudice all claims against Cooler Master. Asetek prevailed on its claims against CMI and obtained an injunction against CMI and Cooler Master. Both appealed.

First, on the infringement issue, CMI argued that the jury was required, as a matter of law, to find the patent not infringed because its “heat exchanging interfaces” were not “removably attached” or “removably coupled,” as the ’362 patent claim required. Specifically, CMI contended that, because removing the “heat exchanging interfaces” in its products would “render them nonfunctional,” their interface was not “removably attached.” In rejecting this argument, the Federal Circuit noted that since CMI did not request a construction of the claim terms and did not object to jury instructions, the jury’s findings must be tested against the “ordinary meaning” of the claim language, supported by substantial evidence. As the claim did not require “functionality upon detachment” and two experts testified that the interfaces could be removed, the Federal Circuit affirmed the jury’s findings that CMI infringed Asetek’s ’362 patent.

Second, on the invalidity issue, CMI argued that the ’764 patent claims, requiring a “thermal exchange chamber,” were obvious over U.S. Patent No. 7,544,049’s (“Koga”) “sucking channel” because both “exchange some heat.” The district court held that Koga did not “teach this claim element” and that exchanging “some heat” does not make the “sucking channel” a “thermal exchange chamber.” In affirming the district court, the



Federal Circuit stated that its findings were “claim-specific” about the characteristics of a “thermal exchange chamber” and that Koga’s “sucking channel” did not possess these characteristics.

Third, regarding the damages issue, CMI contended that the 14.5% royalty award was improper because it: (1) accounted for Asetek’s “per-unit profit margin under its licensing agreement with another company” (Corsair), and (2) was unsupported by substantial evidence because Asetek’s other licensing agreement contained a “maximum royalty rate of 7%.” In rejecting these contentions, the Federal Circuit stated that a royalty is not unreasonable if the calculation, in part, relies on a patent holder’s per-unit profits. This is because a holder engaged in a “hypothetical negotiation” is likely to be disinterested in a royalty rate “lower than its profit margin on patented products.” The court also noted that, in addition to Asetek’s per-unit profits, the expert’s royalty analysis took reasonable account of “‘the nature and scope of the license’ at issue,” Asetek’s “established policy and marketing program,” the commercial relationship between CMI and Asetek, and the amount to which CMI’s profits “would be attributable to the patented invention” under the license. Further, the expert concluded that, although Asetek’s rate under its agreement with Corsair was lower, it likely would treat CMI as a competitor and not a valued customer, as it did Corsair. Additionally, based on the royalty rate range in Asetek’s agreement with Corsair, the expert concluded that CMI and Asetek would have agreed to about a 16% royalty rate. The Federal Circuit held this was substantial evidence to support the jury’s finding of a 14.5% royalty rate.

Lastly, CMI and Cooler Master both challenged the injunction on grounds that: (1) Cooler Master’s dismissal from the case with prejudice precluded its inclusion in the injunction and (2) the injunction was overly broad in scope “insofar as [it] reach[ed] Cooler Master’s conduct . . . other than conduct that abets a new violation by CMI,” since CMI was the only party found liable for infringement. In rejecting the first argument, the court held that a dismissal with prejudice does not provide a claim-preclusive effect for “future conduct,” which is the basis of the injunction. As to the second argument, the court noted that under Federal Rule of Civil Procedure 65(d), an injunction may not bind parties who act independently and have not been adjudicated on the issue. Thus, only non-adjudicated parties “in active concert or participation” with the adjudged party may be bound by the injunction.

The Federal Circuit noted two types of “enjoinable conduct” by a non-liable party. First, a non-liable party that “abets the [liable party]” or is “legally identified with him,” including privity, may be subject to an injunction. The second type, which is at issue in this case, involves a fact-specific approach to protect the principle that “everyone should have his own day in court.” Under this type, certain “successor” situations are included in Rule 65(d)’s “active concert or participation” standard. Additionally, situations in which a party’s litigation is “sufficiently controlled” by another party, may result in the latter party’s inclusion in the injunction. In relying on *Aevoe Co. v. AE Tech Co., LTD*, 727 F.3d 1375 (Fed. Cir. 2013), the district court “specifically invoked the ‘successor’ standards” when concluding that Cooler Master was subject to the injunction. However, the Federal Circuit noted that this case differed from *Aevoe* in that Cooler Master is the supplier and does not obtain the products from CMI. While not deciding the legal significance of this

difference, the court suggested potentially relevant facts to be considered by the district court in its analysis and vacated and remanded the parts of the injunction that “reached Cooler Master’s conduct that does not abet new violations by CMI.”

***Asia Vital Components Co., Ltd. v. Asetek Danmark A/S*,**
837 F.3d 1249 (Fed. Cir. 2016)

An “actual controversy” sufficient to confer jurisdiction in a declaratory judgment action may exist even where there is no specific threat of infringement litigation by the patentee if, under all the circumstances, the patentee’s actions can be reasonably inferred to demonstrate an intent to enforce a patent. Here, the Federal Circuit reversed a district court’s dismissal of a declaratory judgment action for lack of subject matter jurisdiction, holding that the specific circumstances establish an actual controversy.

Asia Vital Components Co., Ltd. (“AVC”), a manufacturer of cooling systems for integrated circuits, filed a declaratory judgment action against Asetek Danmark A/S seeking a declaration that AVC did not infringe certain of Asetek’s patents and that those patents were invalid. The patents at issue were generally directed to liquid cooling systems used with computers to cool integrated circuits. The district court concluded that there was no actual controversy between the parties at the time the action was filed and accordingly dismissed the case for lack of subject matter jurisdiction.

The Federal Circuit reversed and held that an actual controversy between the parties did exist. The court first reiterated that, under the Supreme Court’s decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), the test for whether an “actual controversy” exists is “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

The court relied upon several key facts regarding AVC’s interactions with Asetek in concluding that an actual controversy existed. Beginning in 2012, Asetek began bringing lawsuits against other competitors that make and sell liquid cooling systems, alleging that those companies infringed its patents. Then, in April 2014, Asetek sent AVC a demand letter accusing AVC of infringing the patents-in-suit through AVC’s manufacturing of a particular product. Asetek was mistaken, however, as AVC did not manufacture the product mentioned in the demand letter. AVC informed Asetek that it did not manufacture that product but requested to meet with Asetek to discuss other matters. Asetek responded with an email declining the invitation to meet and noting that “Asetek believes that AVC is likely selling other infringing products in the United States. We are sure you are aware that Asetek enforce[s] its IP, as it has in pending litigations against [other competitors].” In these communications, Asetek also rehashed the volatile relationship between it and AVC, noting that prior experiences with AVC in the past had “sown distrust in Asetek for AVC.” Asetek also stated that it did not license its patents generally and would certainly not license them to AVC due to past conflicts between the parties. The court concluded that such a response by Asetek clearly demonstrated an intent to enforce its patents sufficient to give rise to an “actual controversy.”

Asetek argued that no actual controversy existed because it never referenced AVC's particular products or product line as infringing and, in fact, did not even know of AVC's potentially infringing products until AVC filed its declaratory judgment action. However, the Federal Circuit noted that a specific threat of infringement litigation by the patentee is not required to establish jurisdiction in a declaratory judgment action. Rather, by considering all of the circumstances, a court may find a clear basis for reasonable apprehension of suit even when the patentee first learns of the accused products upon receipt of the declaratory judgment complaint. Accordingly, the Federal Circuit reversed the district court's dismissal of the case for lack of subject matter jurisdiction and remanded for further proceedings.

Aylus Networks, Inc. v. Apple Inc.,
856 F.3d 1353 (Fed. Cir. 2017)

In this case, the Federal Circuit expanded the scope of prosecution disclaimer, holding that prosecution disclaimer applies to statements made in a preliminary response to an IPR proceeding. Takeaway: prosecution disclaimer applies to statements made by a patent owner during IPR proceedings.

Aylus Networks, Inc. brought a patent infringement suit against Apple Inc., alleging that Apple's AirPlay wireless streaming feature infringed Aylus's '412 patent. The '412 patent is directed to systems and methods for streaming and displaying media content using different network arrangements. The claimed method is one in which both the control point proxy (CPP) logic and the control point (CP) logic are invoked to negotiate media content when either the media server (MS) or the media renderer (MR) is not in communication with the user endpoint device (UE). Apple filed two separate petitions for IPR to challenge certain claims. However, the PTAB denied institution for several claims. Aylus then amended its complaint, alleging only infringement of claims 2 and 21. Apple filed a motion for summary judgment of non-infringement on the two claims, arguing for a narrow interpretation of the claims and relying in part on Aylus's arguments in opposition to the IPR petition. In adopting Apple's interpretation that the method for the two claims required only the CPP logic, the district court granted summary judgment to Apple.

On appeal, Aylus argued that the statements made during an IPR could not be used to support a finding of prosecution disclaimer. However, the court determined that the doctrine of prosecution disclaimer applies in IPR proceedings before and after an institution decision. The doctrine ensures that the claims are not construed in one way to obtain patents and in another way against alleged infringers. Thus, the court held that the statements made by Aylus during an IPR proceeding to define the claim terms and scope may be considered during claim construction in a district court proceeding and relied upon by other parties.

The court further held that Aylus's statements constituted a clear and unmistakable relinquishment of the claim scope at issue. Aylus stated several times to the PTO that claims 2 and 21 meant that only the CPP logic was required when the MS and MR were in communication. For the challenged claims, Aylus also explained the importance of selectivity between the CPP logic and CP logic to implement a cost-efficient solution.

Thus, the court found that Aylus’s preliminary responses in connection with the IPR represented a relinquishment of methods that required the CP logic in claims 2 and 21. In addition, since the specification explicitly disclosed that the CP logic was not needed when the MS and MR were in communication, the court determined that the claim language and specification supported the district court’s claim construction. The court affirmed the district court’s claim construction and grant of summary judgment of non-infringement.

Bayer CropScience AG v. Dow AgroSciences LLC,
851 F.3d 1302 (Fed. Cir. 2017)

In this appeal, the Federal Circuit affirmed the district court’s finding that the ongoing litigation between Bayer CropScience AG (Bayer) and Dow AgroSciences (Dow) did not warrant an award of attorney fees to Dow under 35 U.S.C. § 285. The Federal Circuit found that the district court did not abuse its discretion and affirmed. Takeaway: an exceptional-case determination is committed to the sound discretion of a district court, considering the totality of the circumstances, and will be overturned only for an abuse of discretion.

Bayer sued Dow for infringement of patents related to genetically engineered soybeans. Dow raised the defense that Bayer had licensed the asserted patents to Dow’s business partner, which the partner had sublicensed to Dow. The district court granted summary judgment in favor of Dow, and the Federal Circuit affirmed. Dow then moved for attorneys’ fees under 35 U.S.C. § 285. The district court found that the case was “exceptional” based on Bayer’s weak positions on the merits, and thus granted the motion to award attorneys’ fees.

Bayer argued on appeal that attorneys’ fees were not warranted because its litigation positions were reasonable. The Federal Circuit disagreed. The court found that the district court properly considered the totality of the circumstances in determining that this case stood out from others. The district court relied on, for example, Bayer’s litigation conduct and failure to perform a diligent pre-suit investigation. The Federal Circuit also found that the district court reasonably concluded that “Bayer’s arguments were ‘fallacious’ because they were ‘implausible,’ made no business sense in light of the facts surrounding the agreements and their negotiation,” and even conflicted with “Bayer’s own evidence.” The Federal Circuit thus affirmed the award of attorneys’ fees.

Bd. of Trs. of Leland Stanford Junior Univ. v. Chinese Univ. of H.K.,
860 F.3d 1367 (Fed. Cir. 2017)

In this case the Federal Circuit vacated and remanded a PTAB decision that certain claims were unpatentable for lack of a written description. Takeaway: (1) prior art dealing with related products must be applicable to those in the specification; and (2) proving a specific method was not precluded does not suffice to demonstrate that it was the only method taught in the written description.

Stanford researchers filed a patent application that used a specific Illumina platform to test target sequences of DNA. CUHK researchers claimed a random sequencing method in a



later application. After publication of the CUHK application the Stanford researchers changed their pending application claims to focus on random sequencing. They claimed the Illumina platform discussed in the original written description was capable of random sequencing and that a person having ordinary skill in the art would have understood that a random sequencing method was contemplated in the specification. In the interferences that followed, CUHK used expert testimony and several published references to refute Stanford's priority claim to the random sequencing method.

The references included publications made available after the filing date and others discussing non-Illumina platforms that focused on target sequencing. CUHK's expert testified that those having ordinary skill would have understood the written description of the Illumina platform to not preclude target sequencing. The PTAB, based on this evidence, found that the written description did not contain a method for random sequencing. On appeal, the Federal Circuit noted that CUHK and the PTAB failed to show how the prior art references to the non-Illumina platforms were relevant to the Illumina platform. Further, the court chastised the PTAB for using references published after the relevant date and also explained how, in concluding the Illumina teaching was directed to targeted sequencing because the description did not preclude it, the PTAB had relied on an erroneous premise.

Checkpoint Sys., Inc. v. All-Tag Security S.A.,
858 F.3d 1371 (Fed. Cir. 2017)

The Federal Circuit reversed the U.S. District Court for the Eastern District of Pennsylvania's "exceptional case" finding and award of attorney fees to defendants. Takeaway: absent falsity, fraud, or bad faith, shortcomings in a plaintiff's pre-suit investigation do not necessarily justify an award of attorney fees.

Checkpoint Systems brought an infringement suit against All-Tag, alleging infringement of a patent relating to anti-theft tags. At trial, a jury found that the patent was not infringed, invalid, and unenforceable. The district court subsequently found the case to be "exceptional" within the meaning of 35 U.S.C. § 285 and awarded attorney fees to defendants. On appeal, the Federal Circuit reversed the attorney fee award on the grounds that the infringement charge was not shown to be in bad faith or objectively baseless. The Supreme Court granted certiorari, vacating and remanding to the Federal Circuit in light of the fee-shifting decisions in *Octane Fitness* and *Highmark*. The Federal Circuit remanded to the district court, which again held the case to be exceptional. The district court reasoned that Checkpoint's pre-suit investigation was inadequate because its expert tested tags produced in Switzerland, rather than in Belgium, where the accused tags were produced. The district court further found that Checkpoint brought suit due to the "improper motivation" of interfering with All-Tag's business.

On appeal once more, the Federal Circuit again reversed the district court. Reviewing the district court's "exceptional case" finding for abuse of discretion, the Federal Circuit found error in the district court's legal analysis and assessment of the record evidence. First, the Federal Circuit rejected the reasoning below that Checkpoint's motivation in bringing suit was improper, holding that motivation to vindicate the statutory patent right based on a

reasonable belief of infringement did not constitute improper motive. Next, the Federal Circuit rejected the district court's reasoning that the expert's failure to test the accused product compelled an exceptional case finding. Although the expert tested a product made in a different location than the accused product, there was no representation by All-Tag that the tested product differed from the accused product. Furthermore, All-Tag made no allegation of falsity, fraud, or bad faith. The Federal Circuit concluded that the "exceptional case" finding was inappropriate.

Cisco Sys., Inc. v. Cirrex Sys., LLC,
856 F.3d 997 (Fed. Cir. 2017)

The Federal Circuit held all claims of a fiber optic communication signals patent invalid—affirming in part and reversing in part the PTAB's decision on patentability—because the claims failed to include descriptions of the functional limitations' specific locations. Takeaway: when amending or adding claims with limitations that are not present in the original patent claims, the specification in the originally filed application must disclose support for such claims to be patentable.

Cisco Systems, Inc. requested an *inter partes* reexamination of all claims of the '082 patent, owned by Cirrex Systems, Inc. After the PTO began an *inter partes* reexamination of the '082 patent, Cirrex cancelled its original claims (claims 1 through 34) and added new claims (claims 35 through 124). The examiner determined that five claims directed to equalization, discrete attenuation, and diverting element were not invalid, but the majority of the other claims were invalid for lack of written description. The PTAB affirmed the examiner's findings. Cisco then appealed the findings of patentability for the five claims and Cirrex cross-appealed on the other rejected claims.

The '082 patent described a single optical beam that separated individual wavelength components using a planar lightguide circuit (PLC) to allow the addition, deletion, or change in the intensity of individual wavelengths. The PLC also attached to external optical waveguides that changed the intensity of the light beams to create optical systems that can perform equalization or discrete attenuation and diverting elements. Cirrex and Cisco agreed that the equalization and discrete attenuation of the light wavelengths must occur in the PLC.

Regarding the discrete attenuation claims, the court determined that the specification failed to provide written description support for how the discrete attenuation could occur in the PLC. Instead, the specification only described how the attenuation of all the wavelengths (collective attenuation) could occur in the PLC. Thus, collective attenuation, as opposed to discrete attenuation, more properly described the claims' functionality.

With respect to the equalization claims, the court determined that Cirrex failed to show that the specification described that the equalization attenuation must occur when the wavelengths were traveling inside the PLC. For example, Cirrex's position assumed the wavelength intensities inside the PLC were already equal. However, the court agreed that the correct construction of the equalization claims required individual wavelengths to be equalized with other wavelengths while all wavelengths were inside the PLC.

Finally, the court found that substantial evidence supported the PTAB's finding of a lack of written description support for the diverting element claims. Cirrex failed to specify a disclosure where the diverting element would be placed inside the PLC and how the diverting element would operate inside the PLC. Thus, the court applied its holding in *Gentry Gallery, Inc. v. Berkline Corp.*, stating that a broad claim is invalid when the specification clearly indicates a narrower scope. Extending the proposition to include claims added during reexamination, the court held that all the additional claims lacked written description support.

***ClassCo, Inc. v. Apple, Inc.*,**
838 F.3d 1214 (Fed. Cir. 2016)

In this appeal from an *inter partes* reexamination before the PTAB, the Federal Circuit addressed the contours of the *KSR* test for obviousness. The court reasoned that determining whether a patent claim would have been obvious is a flexible inquiry that recognizes that a person of ordinary skill is also a person of ordinary creativity. A patent can thus be obvious in light of prior art even if it slightly changes the function of prior art elements when combining them.

The patent-at-issue describes technology that identifies incoming telephone calls and verbally announces a caller's identity before the call is connected. Apple Inc. requested an *inter partes* reexamination, and, at its conclusion, the PTAB affirmed the examiner's rejection of a number of claims as obvious in light of two patents in the prior art (Fujioka and Gulick). The PTAB found that the Fujioka patent disclosed all but one element of the claims at issue and that the Gulick patent disclosed the last remaining step. Although ClassCo introduced evidence of objective indicia of nonobviousness, the PTAB gave no weight to this evidence in its obviousness determination.

On appeal, the Federal Circuit affirmed that the challenged claims were obvious in light of the Fujioka and Gulick patents, and elaborated on the requirements of *KSR*. According to the court, *KSR* is a flexible standard. It does not require that a combination only unite old elements without altering their functions. A person of ordinary skill is a person of ordinary creativity, meaning that a person of ordinary skill may recognize that elements have uses beyond their initial purposes.

The court held that PTAB had erred in giving short shrift to ClassCo's evidence of nonobviousness. Secondary considerations, while not dispositive, should always be considered when they are present. Although the PTAB had rightly determined that much of ClassCo's secondary evidence lacked weight, it nevertheless should have afforded the evidence some weight in the obviousness inquiry. Yet, even giving due weight to the secondary considerations, the court upheld the PTAB's ultimate conclusion that the claims were obvious in light of the prior art.

The Federal Circuit also affirmed the PTAB's claim construction of "identity information." As the court explained, to give "identity information," ClassCo's proposed meaning would render the differences between claim 1 and dependent claim 2 meaningless.



Cleveland Clinic Found. v. True Health Diagnostics LLC,
859 F.3d 1352 (Fed. Cir. 2017)

In this case, the court decided that CCF's patents on methods for detecting the enzyme myeloperoxidase (MPO) and correlating the resultant concentration to cardiovascular risk were not directed toward patent-eligible subject matter under *Alice*. Takeaway: Section 101 rejections at the motion to dismiss stage are appropriate when no claim construction issues or proposed expert testimony would change the analysis.

CCF was the assignee of method patents on various ways of detecting MPO and using comparative analytics to determine if a person was at an increased risk of cardiovascular issues. When THD began practicing the claimed methods, CCF sued for infringement. THD moved to dismiss the complaint because the asserted patents covered patent-ineligible subject matter and did not contain an inventive concept. The district court granted the motion over CCF's arguments that there should have been formal claim construction before assessing the eligibility of the claims.

The Federal Circuit affirmed on appeal, finding that CCF had not presented any proposed claim construction or expert testimony that would change the Section 101 analysis, rendering a *Markman* hearing unnecessary. Under step one of the *Alice* framework, the court determined the patents were based on the relation between cardiovascular disease and heightened MPO levels that exists apart from human action, and thus were directed to a law of nature. On step two, the court held that the claims directed use of conventional MPO detection methods and a standard comparison of those values to predetermined control values derived from conventional statistical methods. The patents therefore lacked the inventive concept necessary to transform the existence of MPO in a naturally-occurring sample and its correlation to cardiovascular risk into a patentable invention. The Federal Circuit distinguished this holding from its decision in *CellzDirect* on the basis that, unlike in *CellzDirect*, CCF used known testing methods to detect MPO and did not create or teach a new laboratory technique. The patents' comparison steps involved a bare mental process that did nothing more than apply a law of nature.

Comcast IP Holdings I LLC v. Sprint Commc'ns Co., L.P.,
850 F.3d 1302 (Fed. Cir. 2017)

In this appeal from the District of Delaware, the Federal Circuit affirmed a jury verdict that Sprint infringed Comcast's patents, and affirmed a \$7.5 million damages award with prejudgment interest. Takeaway: efforts to make new or elaborated claim construction arguments on appeal will likely be considered untimely. If a party does make such arguments, it must show how its new construction would affect the verdict.

Comcast sued Sprint for infringement of a series of patents which are generally directed to the use of computer network technology to facilitate a phone call. A jury found that Sprint's handling of certain phone calls infringed various claims and awarded Comcast \$7.5 million in damages. The district court denied Sprint's motion for judgment as a matter of law, or in the alternative, for a new trial, and added prejudgment interest to the damages award.

On appeal, the Federal Circuit affirmed the district court's entry of judgment against Sprint. Sprint argued that the proper construction of the term "switched telecommunication system," which was not construed by the district court, must be one that excludes any element of a datagram-based system. The Federal Circuit first held that, even if Sprint were correct about this construction, Sprint had not demonstrated how the relevant calls do not infringe the patents, and thus Sprint was not prejudiced by the district court not construing the term. Moreover, the court found Sprint's construction unpersuasive because the patent did not require a call to travel "exclusively" on only a subset of the network.

The Federal Circuit then rejected Sprint's argument that there was insufficient evidence for the jury to find that the "call destination" limitation of the patents was met by the relevant accused call flows. According to Sprint, a call destination must be the final point on the path of a call. The court found that this was a claim construction argument under the guise of a challenge to the sufficiency of the evidence for infringement, and that if Sprint wished to construe the meaning of "call destination" it should have sought a construction to that effect. In the absence of such a construction, the jury was free to rely on the plain and ordinary meaning of the term. And, the article "a" before the term "call destination" implied there could be more than one destination.

Finally, the Federal Circuit affirmed the prejudgment interest award. Because prejudgment interest runs from the earliest date of infringement for any patent issued, the court found no abuse of discretion in the district court's assessment of prejudgment interest against Sprint. Sprint contended that the district court erroneously awarded prejudgment interest from 2006 forward because the two patents at issue had not been issued yet. The court held it was reasonable for the district court to award interest based on the earliest date of infringement of the three patents—the date of the first hypothetical negotiation.

Core Wireless Licensing S.a.r.l. v. Apple Inc.,
853 F.3d 1360 (Fed. Cir. 2017)

In an appeal from the Eastern District of Texas, the Federal Circuit upheld the jury's finding of non-infringement and the district court's denial of Core Wireless's motion for judgment as a matter of law. Takeaway: means-plus-function limitations in a claim are interpreted based on the structure(s) disclosed in the specification and the function(s) those structures perform. Examples may be used to limit a means-plus-function claim term where they represent the only embodiment and the "point" of the invention.

Core Wireless sued Apple Inc. alleging infringement of several patents. Core Wireless's appeal involved only claim 17 of U.S. Patent No. 6,978,143. That claim "recites a mobile station, such as a mobile telephone, that is connected to a cellular system or network" and is "directed to means for sending packet data from the mobile station to the network using a selected channel." The magistrate judge construed the limitation "means for comparing" in claim 17 to have the function of "comparing said threshold value of the channel selection parameter to a current value of the channel selection parameter for basis of said channel selection." Notably, the magistrate did not include Apple's proposed language that "control unit 803 'provide[d] the comparison result to a channel selection function within the mobile station.'"



At trial, Apple introduced evidence that its products “lack the capability to select between common and dedicated channels for packet data transfer.” It argued that, in the accused products, “the network, not the mobile station, is responsible for selecting which channel to use for uplink transmissions.” The jury found that Apple did not infringe claim 17 of the ’143 patent. After trial, Core Wireless filed a motion for judgment as a matter of law, in which it argued that Apple had misapplied the magistrate’s “construction to mean that the ‘means for comparing’ limitation requires the mobile station to be capable of making uplink channel decisions.” The district court denied the motion, “holding that the claim requires that the mobile station ‘must have the capability to perform “channel selection,” even if that capability was not used during the actual alleged performance of the claimed method.””

On appeal, Core Wireless argued that Apple’s position at trial—that “the mobile station must have the capability to select a dedicated channel when the relevant threshold conditions are met”—was contrary to the magistrate’s claim construction and that, by upholding the jury verdict in favor of Apple, the district court effectively altered the construction. Specifically, Core Wireless argued that the magistrate rejected Apple’s position when it did not include Apple’s suggested language regarding the operation of control unit 803. The Federal Circuit rejected Core Wireless’s argument, noting that “the premise is incorrect” because the magistrate never clearly rejected Apple’s construction, and instead focused “on whether control unit 803 was a general purpose processor.” Further, the Federal Circuit emphasized Core Wireless’s failure to object to Apple’s position and evidence at trial or raise the issue of improper interpretation.

Core Wireless also argued that the district court erred in its order denying the motion for judgment as a matter of law, “where it explicitly construed the ‘means for comparing’ limitation . . . to require that the mobile station have the capability to make channel selections.” The court rejected this argument, noting that the district court properly construed claim 17 as a means-plus-function claim under 35 U.S.C. § 112. In examining the specification to ascertain the claimed function, the court concluded that “the entire point of the invention is to enable the mobile station to make the channel selection decision in order to minimize traffic between the mobile station and the network.” Moreover, the court noted that throughout the patent there was no embodiment in which the “network” made a “channel selection decision.” Additionally, the remainder of the specification, the prosecution history, and extrinsic evidence also supported a finding that the mobile station, and not the network, made channel selections.

Finally, Core Wireless argued in the alternative that Apple’s device infringes even when claim 17 is construed to require that the mobile station be capable of channel selection. In support of its argument, Core Wireless pointed to a “traffic volume report that Apple’s devices generate and send to the network.” The court also rejected this argument, noting that Apple introduced testimony from its expert and an engineer establishing that “the network may choose not to use the report in its channel selection decision or even use the report at all” and “the mobile station has no further input beyond merely sending the report.” Therefore, the court found that it is the network’s, and not the mobile station’s, decision whether to transmit information. Thus, the Federal Circuit affirmed the district court as a reasonable jury could find Apple did not infringe claim 17 of the patent.

Cox Commc'ns, Inc. v. Sprint Commc'n Co. LP,
838 F.3d 1224 (Fed. Cir. 2016)

The Federal Circuit reversed the district court's decision invalidating six Sprint patents as indefinite under 35 U.S.C. § 112. Because the term "processing system," used throughout the patents, played "no discernable role" in defining the scope of the patent claims, the patents were not indefinite: those skilled in the art would be able to read the patents and determine the scope of the patents with reasonable certainty in light of the specifications delineated therein and the prosecution history.

The patents in question involved voice-over-IP technology that transferred phone calls from traditional phone lines to data networks (*e.g.*, the Internet), and included a number of method claims relating to a "processing system," which receives and processes telephone line information to determine the data network path that the voice call would take. In *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014), the Supreme Court established that "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention." The Federal Circuit applied this test to the claims at issue, reasoning that the words "processing system" simply described where the steps in the method occurred, and that if the words "processing system" were removed or replaced with the term "computer," the meaning of the claim would not change. The court determined that because this term was effectively meaningless in the patent's claims, it could not form the factual basis for finding the patents indefinite, and so reversed the district court's contrary conclusion.

Judge Newman, concurring in the judgment, wrote separately to criticize the method of analysis used by the court. Judge Newman asserted that the court's "new mode of analysis"—deleting the challenged term to determine whether the claim still has the same meaning as it did when the term was included—was not supported by any precedent. Instead, Judge Newman explained that these patents are not invalid for indefiniteness because there was evidence in the record to indicate that the term "processing system" insufficiently disclosed the physical structures performing each claim step, therefore failing to provide "'a person of ordinary skill in the art' . . . with the bounds of the claimed invention." The majority responded to Judge Newman's criticism by noting that it was not creating a "new protocol" of analysis, but rather that removing the challenged term is merely a way of applying *Nautilus* to determine whether the claim, as a whole, is indefinite.

Credit Acceptance Corp. v. Westlake Servs.,
859 F.3d 1044 (Fed. Cir. 2017)

The Federal Circuit affirmed the PTAB's decision to continue its covered business method review of Credit Acceptance Corp.'s ("CAC") business method claims and upheld the PTAB's ultimate decision that the claims were patent-ineligible under 35 U.S.C. § 101. The court had jurisdiction to review the appeal and the PTAB's decision was not estopped by a previous CBM. Judge Mayer dissented in part, agreeing with the court's Section 101 determination, but disagreeing that the court had jurisdiction to review the PTAB's decision to deny a motion to terminate a CBM. Takeaways: the Federal Circuit has



jurisdiction to review the PTAB's post-grant review proceedings, and estoppel under 35 U.S.C. § 325(e)(1) is applied on a claim-by-claim basis.

The case arose from Westlake Services' challenge to CAC's patent, which included system and method claims directed to providing financing to allow customers to execute purchases of financed products from a dealer (*e.g.*, to purchase cars from a dealer). Some claims also involved the application of these methods via computers, thereby automating processes that were previously manual. Westlake petitioned for CBM review of all claims related to the patent under Section 101. At first, the PTAB instituted CBM review of only some claims. After the Supreme Court's decision in *Alice*, Westlake again petitioned the PTAB to review the remaining claims under the new Section 101 standard. The PTAB agreed to do so. CAC argued that the PTAB's previous decision to forego review of these claims estopped Westlake from re-petitioning for review. The PTAB disagreed and found that estoppel under Section 325(e)(1) only applies on a claim-by-claim basis. The PTAB then issued a decision on the second set of claims, finding all claims of the patent unpatentable under Section 101. CAC appealed. The PTO intervened on behalf of Westlake in support of the PTAB's decision.

CAC argued that Section 325(e)(1) barred Westlake from challenging the second set of claims and that the PTAB erred in determining that those claims were ineligible for patenting. Westlake and the PTO argued that the PTAB's decision on Section 325(e)(1) was non-appealable and that the Federal Circuit did not have jurisdiction to hear the case under *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016).

First, the court considered whether it had jurisdiction to review the appeal, ultimately concluding that it did. After distinguishing the *Cuozzo* decision, the court found that conflicting outcomes would result if it did not have jurisdiction to review final written decisions by the PTAB, like the one at issue. Holding that it lacked jurisdiction to review these types of claims would essentially result in different appealability standards between the PTAB and the district court, so that if the PTAB disagreed with the district court on an estoppel question and the Federal Circuit ultimately decided against PTAB, there would be no way to correct the PTAB. Finding that it did have jurisdiction, the court reasoned that the "practical need for uniformity weighs strongly in favor of appealability."

Next, the court held that under its previous decisions, CAC's argument that final written decisions under 35 U.S.C. § 328(a) covered all challenged claims, rather than only those instituted for review, was untenable. The court found that the PTAB's final written decision covered only the claims actually instituted for review. Therefore, Westlake was not estopped from re-petitioning the PTAB to review the claims that had not initially been instituted for review.

Finally, with regard to the PTAB's conclusion that the second set of claims were ineligible for patenting under Section 101, the court affirmed the PTAB's decision. First, it found that the claims at issue were directed at an abstract idea. The court agreed with the PTAB that the claims went to the abstract idea of "processing an application for financing a purchase." Essentially, the claims automated an abstract financial process that had been previously carried out manually. Second, the court found that the claims exhibited no



“inventive concept.” Rather, they used generic computer components to supplant an otherwise abstract process. The court found that this decision was analogous to and squarely supported by *Alice*.

In his partial dissent, Judge Mayer agreed with the majority as to the Section 101 decision. However, he would have held that, under *Cuozzo* and other Federal Circuit precedent, the court did not have jurisdiction to review the PTAB’s estoppel decision. Judge Mayer opined that the PTAB’s decision to deny CAC’s motion to terminate the post-grant review proceeding under Section 325(e)(1) was closely related to the PTAB’s decision to institute CBM review. As such, it was an institution decision, and the Federal Circuit was precluded from reviewing it.

***Cumberland Pharm., Inc. v. Mylan Institutional LLC*,**
846 F.3d 1213 (Fed. Cir. 2017)

The Federal Circuit affirmed the district court’s ruling that U.S. Patent No. 8,399,445 was not invalid as derived from an invention conceived by an employee at the FDA. The Federal Circuit panel also affirmed that the defendant had not shown that the patented compositions were obvious.

Cumberland Pharmaceuticals owns the patent-in-suit, which it asserted covers its chelating-agent-free formulation of Acetadote®, an acetylcysteine-based intravenous antidote for overdoses of acetaminophen. Prior to Cumberland’s development of Acetadote® and the patented formulation, it was known that acetylcysteine was an unstable antidote to acetaminophen overdose, but that it could be stabilized with certain chelating agents. Cumberland had earlier been developing methods of stabilizing acetylcysteine by combining it with a chelating agent. Yet, the chelating agent also introduced a number of health risks. In the process of seeking approval for the chelated compounds, Cumberland representatives spoke with individuals at the FDA about testing the product with lower doses of the chelating agent. Cumberland contracted Mylan to conduct tests of Acetadote® containing lower amounts of chelating agents, including omitting such agents altogether. Through these tests, Cumberland learned that it was possible to have fairly consistent stability without using a chelating agent, which led to the patent.

After Mylan filed an Abbreviated New Drug Application seeking to market a generic version of Acetadote®, Cumberland sued, asserting that its patent was infringed under 35 U.S.C. § 271(e)(2)(A). At a bench trial, Mylan argued that the patent was invalid because the alleged invention had been derived from the ideas of an FDA employee. But the district court held that Mylan had not proven that the patent claims were conceived by anyone at the FDA. The Federal Circuit agreed.

As the Federal Circuit explained, when determining whether a claimed invention was derived from someone other than the named inventor, a challenger has a heavy burden to show by clear and convincing evidence that someone else previously conceived of the invention and communicated the idea to the named inventor. To evidence “prior conception,” the other’s idea must have been a “definite and permanent,” “specific, settled idea” and encompassed all of the limitations of the claimed invention.

The panel found that the record supported that Cumberland's inventor had come up with the idea to test the chelate-free drug compound himself, and that the FDA had simply asked to see corresponding data to support dosing determinations related to the inclusion of a chelating agent. As the panel explained, the fact that the FDA had requested data to support the necessary dosage of the chelating agent did not necessarily indicate that Cumberland would have removed chelating agents entirely, or that the FDA conceived of a chelate-free compound. For these reasons, Mylan did not carry its heavy burden of proving the claims in the '445 patent were derived from someone at the FDA.

The Federal Circuit panel also rejected an obviousness challenge from Mylan. The Federal Circuit held that the record supported the district court's assessment that a skilled artisan in the field had substantial reason to doubt that an acetylcysteine-based drug would have been stable without a chelating agent. The Federal Circuit affirmed the district court's finding that the '445 patent was not invalid as obvious over prior art acetylcysteine compounds that included chelating agents.

***D'Agostino v. MasterCard Int'l Inc.*,**
844 F.3d 945 (Fed. Cir. 2016)

In this appeal from the PTAB's IPR decision, the Federal Circuit rejected the PTAB's claim construction and vacated and remanded the PTAB's decision that the disputed claims were unpatentable for anticipation and obviousness. Takeaway: prosecution history can be dispositive with respect to the meaning of a claim.

MasterCard International filed petitions requesting IPR of two patents, both disclosing a process for generating limited-use transaction codes to be given to a merchant by a consumer for the purchase of goods and services. The claims selected for review fell into two categories: those that utilize transaction codes for one or more merchants and those that limit them to a single merchant. Finding the former to be unpatentable if the latter are unpatentable, the PTAB focused solely on the "single merchant" claims. The PTAB cancelled the claims as unpatentable over prior art describing circumstances in which a customer seeks a transaction code for an identified chain of stores.

In a *de novo* review, the Federal Circuit rejected the PTAB's determination of the broadest reasonable scope of the claims. The court interpreted the claims to require limiting the use of the transaction code to one merchant who is not yet identified. The court found support for its interpretation in the prosecution history, where the inventor distinguished prior art by explaining that the "single merchant" limitation (a) is a numerical limitation, not an identity limitation that required identifying the store or chain from other stores or chains, and (b) must be met prior to any particular merchant being identified as the single merchant. Therefore, the court rejected the PTAB's construction, which concluded that single merchant limitation would cover a situation where the customer seeks a transaction for an identified chain of stores and later picks a specific store in that chain, as in the prior art. The court thus vacated the PTAB's claim construction and its subsequent findings of anticipation and obviousness.



The patentee also presented an alternate argument that the prior art did not disclose designating a payment category before generating the transaction code. The court rejected this argument, finding that the evidence before the PTAB suggesting that the prior art covered generating transaction codes for pre-designated, limited use categories reasonably supported the PTAB's conclusion.

Drone Techs., Inc. v. Parrot S.A.,
838 F.3d 1283 (Fed. Cir. 2016)

The Federal Circuit vacated the district court decision regarding compliance with discovery orders and remanded the case for further proceedings. The district court had issued two motions compelling Parrot S.A. to disclose certain information, and Parrot refused. In response to this noncompliance, the district court imposed sanctions including entering a default judgment against Parrot, striking Parrot's answer and counterclaims, and finding Parrot liable for patent infringement. Subsequently, a jury awarded Drone Technologies roughly \$7.8 million in damages and \$1.7 million in attorney's fees. The Federal Circuit found that the district court abused its discretion in issuing the discovery orders and sanctions, vacating those decisions and the resulting jury verdict.

Parrot and Drone are technology companies that design and manufacture remote control airplanes, commonly referred to as drones. These systems include a remote-controlled device and a handheld control. Specifically at issue in this case was a system that allows the remote-controlled device to mirror the movements of the remote itself. Drone claimed that Parrot infringed two patents with Parrot's system that allowed certain of its drones to be operated through a downloadable cellphone application. Parrot's allegedly infringing system involved two aspects of source code: "off-board source code" (the code in the application) and "on-board source code" (the code in the drone). The parties disputed whether the on-board code needed to be produced in discovery.

The district court granted Drone's motion compelling Parrot to produce "all source code, specifications, schematics, [and] flow charts . . . relating to the operation of the accused products." Shortly thereafter, Parrot moved for clarification, requesting (1) to make its "extremely sensitive" on-board source code available for inspection rather than producing it, (2) to have a more flexible deadline for producing documents, and (3) to have permission not to produce documents relating to other drones it believed were not at issue. The district court denied Parrot's motion without explanation. Parrot's refusal persisted and the court granted Drone's second motion to compel production. Despite producing over 14 million pages of documents, Parrot continued to refuse to produce the on-board source code. The district court then determined that issuing sanctions was the most appropriate remedy. After the sanctions were implemented, the district court denied Parrot's motion to dismiss on the grounds that Drone lacked standing.

On appeal, the Federal Circuit first considered the question of standing. Drone was an assignee of the allegedly infringed-upon patents, but the parties disputed whether the named inventor on the patent, who was the assignor, actually invented the device. The Federal Circuit determined that, when considering questions of standing, courts should presume that the named inventors are the true and only inventors. The court asserted that

because inventorship can be challenged under 35 U.S.C. § 102(f) as a substantive issue, it should not be brought up under the guise of standing. Because Drone was validly assigned the allegedly infringed-upon patents, Drone had standing.

Separately, the Federal Circuit concluded that the district court abused its discretion when it issued an inexplicably overbroad discovery order, which had failed to take into account much of the district’s Local Patent Rule 3.1, which states: “[T]he party opposing a claim of patent infringement . . . shall produce or make available for inspection and copying . . . [s]ource code . . . sufficient to show the operation of any aspects or elements of each accused apparatus, product, device, . . . or other instrumentality identified in the claims pled of the party asserting patent infringement” In particular, the Federal Circuit found that Drone had not addressed whether the documents already produced by Parrot were “sufficient to show” the operation of Parrot’s accused product and had not established the relevancy or need for information pertaining to Parrot’s other products. Furthermore, the district court overlooked the phrase “make available for inspection and copying” when it denied Parrot’s earlier request to make its withheld code available for inspection by Drone and failed to take into account the phrase “identified in the claims pled” when it compelled Parrot to produce information pertaining to products not identified by Drone as devices infringing upon its patents.

In addition, the Federal Circuit determined that the district court’s default sanction was an abuse of discretion, because the lower court had erred in weighing the relevant factors under Third Circuit law, including prejudice, party conduct, and the availability of alternative sanctions.

Judge Newman concurred, noting her disagreement with the Federal Circuit’s standing analysis. She stressed that considering the substantive concerns regarding inventorship are closely tied to the issue of standing: “An incorrect inventor or inventive entity cannot pass title by assignment, because that entity has no title to pass.”

Dynamic 3D Geosolutions LLC v. Schlumberger Ltd.,
837 F.3d 1280 (Fed. Cir. 2016)

In this litigation addressing the proper level of imputation for an attorney’s conflict of interest in a patent infringement suit, the Federal Circuit, applying the law of the Fifth Circuit, unanimously affirmed the district court’s disqualification of the plaintiffs’ attorneys and dismissal of the complaint. Beginning in 2006, Charlotte Rutherford worked as in-house counsel for Schlumberger Limited. In this capacity, she became familiar with Schlumberger’s product Petrel, a software platform for three-dimensional visualization, mapping, and reservoir modeling of oil wells. Rutherford was involved in a “Goldstar” project that evaluated further patentable aspects of this software and identified the risks of infringement that might arise given certain developments. One product assessed in “Goldstar” was RECON, the commercial embodiment of the patent-in-suit.

In 2013, Rutherford left Schlumberger to join Acacia Research Group LLC. At Acacia, Rutherford met with the inventors of the patent in suit to discuss the possibility of purchasing the patent. At this time, Schlumberger was mentioned as a potential target of a



patent infringement suit. Acacia shortly thereafter formed Dynamic 3D, a wholly-owned subsidiary of Acacia's parent company, to manage the patent.

Dynamic 3D sued Schlumberger for infringement, and Schlumberger moved to disqualify Dynamic 3D's counsel given Rutherford's prior representation of Schlumberger. The district court, finding that Rutherford's work at Schlumberger was substantially related to her current work at Acacia and that all of her knowledge should be imputed to Acacia's attorneys, granted Schlumberger's motion. Because the pleadings were drafted by counsel presumed to possess Schlumberger's confidential information, the district court additionally dismissed Dynamic 3D's claims without prejudice.

Applying the law of the Fifth Circuit, the Federal Circuit affirmed the district court's resolution. Given the positions Rutherford held at each company—especially the fact that she had directly reviewed liability relating to the patent while working for Schlumberger—the Federal Circuit explained that the district court had not clearly erred in finding that Rutherford's work for Schlumberger was substantially related to her work for Acacia and Dynamic 3D. The Federal Circuit also affirmed the district court's disqualification order for the other attorneys at Acacia and Dynamic 3D, as well as outside counsel. Without deciding whether the imputation of knowledge created a rebuttable or irrebuttable presumption for attorneys working in-house at a company, the Federal Circuit held that the presumption had not been rebutted in this case. Acacia had failed to ethically screen Rutherford from the matter or otherwise prevent confidential information from being shared. Rutherford had also helped choose which outside counsel to hire, and there was evidence she had since been in communication with outside counsel regarding the litigation.

Finally, the Federal Circuit affirmed the district court's dismissal of the case without prejudice. Because the entire docket had been tainted by Rutherford's involvement in this case, the district court had not abused its discretion in ordering dismissal of the case.

Judge Wallach concurred, agreeing entirely with the majority but writing separately to emphasize the importance of an attorney's ethical duties to his or her clients.

Elec. Power Grp. v. Alstom S.A.,
830 F.3d 1350 (Fed. Cir. 2016)

In this litigation over technology for analyzing power grids, the Federal Circuit held that the patents at issue ineligible under Section 101 as reciting abstract ideas. Electronic Power Group owned three patents that described systems and methods for analyzing, in real-time, electronic-power-grid performance by gathering information from various sources, analyzing that information, and displaying the result. Electronic Power Group sued Alstom alleging infringement, but the district court granted summary judgment of invalidity in favor of Alstom, holding that the claims recite abstract ideas and thus are ineligible under 35 U.S.C. § 101.

The Federal Circuit affirmed the district court's decision, reasoning that the claims lacked an inventive concept to implement the abstract idea. Analyzing *Alice* step one, the Federal

Circuit reasoned that collecting information is an abstract idea, and the analysis of the information recited in the claims can be performed by a person in his or her mind, also noting that the display of information was only a related part of collection and analysis of the data. As a result, the Federal Circuit concluded that the claims of Electronic Power Group’s patents are directed to abstract ideas.

Analyzing *Alice* step two, the Federal Circuit held that limiting claims to a particular technological environment, such as to power-grid monitoring as Electric Power Group had done, was not sufficient to transform an abstract idea into a patent-eligible claim. While there is no requirement for the claim to have a new source of information, the court explained that limiting the claims to a generic computer implementation utilized in conventional ways was not sufficiently inventive so as to constitute an inventive concept. The Federal Circuit also recognized a policy argument advanced by the district court, specifically that Electronic Power Group’s attempt to patent such a general method as opposed to a concrete solution reduces incentives to innovate and places licensing as a hurdle to technological advancement.

***Eli Lilly & Co. v. Teva Parenteral Meds., Inc.*,**
845 F.3d 1357 (Fed. Cir. 2017)

The Federal Circuit applied its expanded view of divided infringement, affirming a finding that defendants induced patent infringement via statements on their product labels, where the method of treatment was performed jointly by doctors and patients.

U.S. Patent No. 7,772,209, issued to Eli Lilly & Co., recites methods of administering the chemotherapy drug pemetrexed disodium (marketed as Alimta®) after the patient is pretreated with folic acid and vitamin B12. Defendants submitted Abbreviated New Drug Applications for generic versions of Alimta®. Eli Lilly then sued defendants for infringement under 35 U.S.C. § 271(e)(2).

Eli Lilly’s infringement claim was based on the argument that the defendants’ drug label instructed and induced physicians to infringe the method steps. But, the methods themselves presented a divided infringement problem, involving steps performed both by the physician (*i.e.*, administering Alimta®) as well as the patent (*i.e.*, self-administering the folic acid). The issue was thus whether the physician’s instructions to patients to take the pretreatment folic acid—which were called for under defendants’ drug labels—could be imputed as steps performed by the physician to meet the direct infringement requirement.

During the litigation, in response to the Supreme Court’s decision in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 134 S. Ct. 2111 (2014), the Federal Circuit clarified its “divided” (or “joint”) infringement standard in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020 (Fed. Cir. 2015) (en banc). Under the revised standard, absent a joint enterprise, steps performed by another are attributed to an entity if that entity “directs or controls” the other’s performance. This itself requires a showing that the entity “conditioned” the other party’s participation in an activity or receipt of a benefit on the



other party performing the step in question. The entity must also “establish the timing or manner” of the other’s performance of the step.

After a bench trial, the district court held that defendants, through the instructions in their drug label, induced infringement by physicians, who in turn directed and controlled the patents’ performance of the pretreatment step. The Federal Circuit affirmed.

Regarding inducement, the Federal Circuit panel agreed that the drug label evidenced that defendants knew or should have known that their actions would induce infringement. Specific intent to induce infringement was evidenced by the drug labeling, which instructed physicians to follow a specific method of treatment that also read on the patented claims.

Regarding divided infringement, the panel held that it was sufficient that physicians “conditioned” patients’ receipt of pemetrexed therapy on patients taking the folic acid supplements—that is, on performing the extrinsic step at issue. The “condition” placed on the patient need not be legally binding or technologically required. The physicians also established the “timing or manner” of the performance of that step by setting the individual dosages for patents.

The panel also rejected defendants’ challenge that the ’209 patent was invalid. First, the panel disagreed that the claims were indefinite due to the patent importing multiple meanings to the term “Vitamin B12.” The panel held that there was sufficient evidence that persons skilled in the art would understand the meaning of the claim term based on the context. Second, the panel affirmed the district court’s ruling that defendants failed to show that the methods were obvious over prior art methods. Third, the panel found that the district court did not err in rejecting defendants’ argument that the ’209 patent was invalid for obviousness-type double patenting over U.S. Patent No. 5,2176,974.

Eli Lilly & Co. v. L.A. Biomedical Research Inst. at Harbor-UCLA Med. Ctr.,
849 F.3d 1073 (Fed. Cir. 2017)

In this appeal from the PTAB, the Federal Circuit held that prior art failed to anticipate a patent which claimed a method of “arresting or regressing” a condition known as penile fibrosis. Because the prior art failed to disclose the dosage amounts and duration claimed by the patent, it was insufficient to anticipate the claims.

U.S. Patent No. 8,133,903 claims a method of “arresting or regressing” penile fibrosis. The Los Angeles Biomedical Research Institute at Harbor-UCLA Medical Center (LAB) filed an infringement action in district court against Lilly, alleging that Lilly’s marketing of the drug Cialis induced infringement of the patent. Lilly petitioned for IPR of the patent on the grounds that LAB’s claims were anticipated by a prior international patent application by John S. Whitaker (Whitaker). In the proceedings, the PTAB concluded that Whitaker’s definition of “chronic administration” did not disclose the same dosage amount and duration claimed in LAB’s patent—the daily administration of PDE5 inhibitors for at least 45 days.

The Federal Circuit agreed with the PTAB that Lilly’s argument was, at best, “an obviousness argument,” because it relied on the understanding of a person of skill at the

time and various assumptions that a person of skill would make while reading the Whitaker reference. Because Whitaker did not expressly teach dosage of PDE5 inhibitors for at least 45 days, it was insufficient to anticipate the claims. Moreover, the Whitaker reference focused on how long a patient would suffer from erectile dysfunction in the absence of therapy. The Federal Circuit found that this says nothing about how long erectile dysfunction would last with the therapy at issue in Whitaker, the chronic daily treatment with PDE5 inhibitors. While the Whitaker reference may suggest long term daily treatment by noting the beneficial effects of daily treatment of PDE5 inhibitors, a reference must do more than suggest a subject matter to anticipate. Thus, the panel found substantial evidence to support the PTAB's findings.

EmeraChem Holdings, LLC v. Volkswagen Grp. of Am., Inc.,
859 F.3d 1341 (Fed. Cir. 2017)

The Federal Circuit held that an inventor's declaration needed further corroboration to overcome 35 U.S.C. § 102(e) applicability, and also that the PTAB violated the Administrative Procedure Act by not providing proper notice in an IPR proceeding.

This complex IPR proceeding involved several interrelated patents. In February 1994, four researchers filed for U.S. Patent No. 5,451,558 in December 1994 two of those researchers filed for the U.S. Patent No. 5,599,758, which completely incorporated the '558 patent. Volkswagen argued that the '558 patent constituted prior art to the '758 patent under Section 102(e) and that it, and three other references, Hirota, Saito, and Stiles, combined in various ways to rendered claims in the '758 patent anticipated or obvious. In its petition, Volkswagen presented a claim chart specifically identifying the grounds for each challenged claim with particular references cited on a claim-by-claim basis. In instituting review, the PTAB issued a decision providing an itemized list of the challenged claims and identifying specific references as grounds for rejection. In both the claim chart and the decision, only the Saito reference was cited for the invalidity of claims 3, 16, and 20.

EmeraChem presented a declaration by the surviving inventor of the '758 patent that he and his co-inventor were the sole inventors of the anticipatory portions of the '558 patent and therefore Section 102(e) could not apply because the '558 patent did not meet the "filed by another" provision. The PTAB rejected the declaration because it was not corroborated by any other evidence, and held that several claims, including claims 3, 16, and 20, were obvious in view of the combination of the '558 patent, Saito, and Stiles. On appeal, EmeraChem claimed that it was not given proper notice or an opportunity to respond, as required by the APA, to the fact that the Stiles reference was being used to challenge claims 3, 16, and 20.

The Federal Circuit agreed with the PTAB regarding the inventor's declaration. They distinguished other cases where inventors supplemented their declarations with additional evidence, such as drawings or explanatory submissions. The court stated that, standing alone, the declaration was too potentially self-serving to justify finding that the relevant portions of the '558 patent were not created, at least in part, by the other researchers listed as co-inventors. The court did find, because of the specificity in which the claim chart and institution decision listed the applicable references to the challenged claims, EmeraChem



was not given proper notice that Stiles could be used as a basis to reject claims 3, 16, and 20.

Evans v. Bldg. Materials Corp. of Am.,
858 F.3d 1377 (Fed. Cir. 2017)

Applying Fourth Circuit law, the Federal Circuit affirmed the U.S. District Court for the Eastern District of Virginia’s denial of a motion to dismiss or stay action pending arbitration, finding the defendant’s arbitrability arguments to be “wholly groundless.” Takeaway: the Federal Circuit reviews the denial of a motion to dismiss or stay an action pending arbitration under the law of the relevant regional circuit.

In 2009, Roof N Box, Inc. (“RNB”) and Building Materials Corp. of America (“GAF”) entered into a promotional agreement, under which GAF would promote RNB’s roofing model product to its construction contractors. The agreement included a provision to arbitrate disputes “arising under” the agreement. In March 2016, RNB brought suit against GAF, alleging that GAF marketed its own product that competes with RNB’s product. The suit alleges design-patent infringement, trade-dress infringement, and unfair competition. GAF moved to dismiss or stay the action pending arbitration, and the district court denied the motion, holding that the arbitration provision did not cover the claims because the agreement had been terminated or, in the alternative, because the claims were outside the scope of the arbitration provision.

The Federal Circuit affirmed. Applying Fourth Circuit law, the Federal Circuit accepted *arguendo* that GAF’s assertion of arbitrability must be “wholly groundless” in order for the court to decide that the issues were not arbitrable. Based on the scope of the language of the arbitration provision, the Federal Circuit found that GAF’s arbitrability claims were wholly groundless. Counts I, II, and III, involving state claims for patent infringement, were not sufficiently related to the contractual obligations of the 2009 agreement, and thus did not fall under the arbitration clause’s “arising under” language. The court also rejected the argument that Count IV, regarding a breach of confidentiality by GAF, was arbitrable. The court first reasoned that the argument was waived by GAF because it was not properly raised below, and then concluded that regardless, Count IV did not relate to the agreement because the agreement imposed no confidentiality obligations on GAF. Similarly, the court rejected the argument that Count V, relating to violations of state law, was arbitrable because GAF failed to present an argument that the count was broad enough to cover a claim under the agreement. Finally, the court rejected GAF’s arguments regarding the complaint’s assertions of willfulness and its request for lost profits, reasoning that those aspects of the complaint did not implicate the 2009 agreement.

Fairchild (Taiwan) Corp., v. Power Integrations, Inc.,
854 F.3d 1364 (Fed. Cir. 2017)

In an appeal from the PTAB, the Federal Circuit reasoned that a jury’s decision rejecting an invalidity ground, which the Federal Circuit later affirmed, constituted a final decision for purposes of 35 U.S.C. § 317(b), and thus precluded *inter partes* reexamination by the alleged infringer on a ground that it could have raised at trial. Takeaway: the fact that



parts of an underlying district court decision are not final does not prevent an invalidity finding from being final under Section 317(b).

Fairchild sued Power Integrations for infringement of three patents covering technology related to power converters. The jury rejected Power Integrations' argument that the claims of one of the patents (the '972 patent) were obvious, and found that Power Integrations had infringed the claims. After losing in the district court, Power Integrations requested an *inter partes* reexamination of many claims of the '972 patent, including the claims found to have been infringed. In 2012, the Examiner rejected all the reexamined claims and held them to be invalid as obvious. The PTAB affirmed.

The Federal Circuit explained that Section 317(b) prohibited the *inter partes* reexamination of the claims found to have been infringed because the district court's decision was a final decision under Section 317(b). This means that if a party failed in an invalidity challenge in district court litigation, it is estopped from bringing an issue they "raised or could have raised" in the *inter partes* reexamination. The Federal Circuit held that because the district court held the claims were not invalid as obvious, and the court affirmed that decision—and all other appellate relief had been exhausted—the decision was final. The court reasoned that the existence of additional ongoing proceedings related to the same litigation did not render the holding as to the '972 patent not final because there was no suggestion that there was any unresolved issue that would affect the final validity determination.

Thus, the Federal Circuit directed the PTAB to dismiss the reexamination of the claims found to have been infringed. As to the other claims which were not a part of the district court proceedings, and because Fairchild had abandoned its appeal of the PTAB's rejections of those claims, the Federal Circuit directed the PTAB to enter a reexamination certificate invalidating those claims.

FairWarning IP LLC v. Iatric Sys., Inc.,
839 F.3d 1089 (Fed. Cir. 2016)

The Federal Circuit affirmed the district court's finding that a patent disclosing ways to detect fraud and misuse by identifying patterns in users' access of sensitive data was directed at ineligible subject matter and invalid under 35 U.S.C. § 101.

FairWarning owns U.S. Patent No. 8,578,500, which describes systems and methods relating to the detection of fraud or misuse of patient's protected health information ("PHI"). The claims were directed to a system that analyzed audit log data against generated rules to detect unauthorized access to digitally stored PHI. The Federal Circuit found the patent was invalid under 35 U.S.C. § 101 because it attempted to patent an abstract idea and there was nothing in the claims sufficient to transform the ineligible abstract idea into a patentable process.

In affirming the district court's holding that FairWarning's patent claims were invalid under Section 101, the court found at the first step of the patent-eligibility inquiry that the claims were directed to the abstract idea of collecting and analyzing information. The court reasoned the patent claims merely implemented the old practice of detecting fraud in a new

environment, by requiring use of a computer. At step two, the court found the claim limitations failed to add “something more” to transform the abstract idea into patent-eligible material. Thus the court affirmed the district court’s finding of invalidity.

***Genband US LLC v. Metaswitch Networks Corp.*,**
861 F.3d 1378 (Fed. Cir. 2017)

In an appeal by Genband, the Federal Circuit vacated a district court’s order denying Genband’s request for a permanent injunction against a competitor in the telecommunications industry found liable for patent infringement. The Federal Circuit outlined the permanent injunction standards for infringing sales of multicomponent products in multi-purchaser situations. Takeaway: in a multi-feature, multi-purchaser context, an irreparable injury must be found in order to issue the requested injunction. The irreparable injury must have “some causal nexus” between the infringing features of the infringer’s products and the irreparable harm of lost sales to the patentee. To make the causation connection, the patentee must show that the patented features drive demand for the product, but the “drive demand” formulation does not require the patented feature to be the sole driver of consumer demand, rather it must only be at least one of the features that make the product significantly more desirable.

The court synthesized and clarified a series of prior rulings regarding the evaluation of irreparable harm in injunctive relief requests regarding multicomponent products. In the series of *Apple v. Samsung* cases, the court clarified that the causal link cannot be too tenuous to support a finding of irreparable harm, rejecting loss of insubstantial market share or a finding that the patented feature was not among the prominent reasons consumers selected the infringing product as insufficient to show irreparable harm. The court further clarified that the “drive demand” requirement should also not be too stringent, rejecting formulations requiring the patented feature to be the sole reason for consumer demand as too rigid given the complexity of consumer preferences. Due to the uncertainty of whether the district court relied on too stringent an interpretation of the causal-nexus requirement and whether it applied the current governing standard under the *Apple* cases when it found no irreparable harm, the court vacated the order denying the request for a permanent injunction and remanded to the district court to undertake application of the proper causal-nexus standard.

The Federal Circuit also remanded for consideration of Genband’s litigation choices. The district court had concluded that Genband’s delay in suing for several years after analyzing Metaswitch’s products and its failure to pursue a preliminary injunction weighed against a finding of irreparable harm. While the court agreed with Genband that there may be reasons for these decisions independent of an implied concession that the infringement-caused injury is not irreparable, the court conceded that Genband’s litigation choices were not legally irrelevant and that the causal-nexus determination may affect the need for an evaluation of these additional considerations.

GPNE Corp. v. Apple, Inc.,
830 F.3d 1365 (Fed. Cir. 2016)

The Federal Circuit affirmed the district court’s denial of GPNE’s motion for judgment as a matter of law after a jury issued a verdict of non-infringement. GPNE sued Apple, alleging Apple’s iPhones and iPads directly infringed GPNE’s patents directed to a two-way paging system that operates independently from a telephone system. The claims recite the term “nodes,” but the specifications exclusively refers to “pagers” or “paging units.” The parties first disputed whether “nodes” should be limited to pagers or paging units, as described in the specification. The district court sided with Apple, holding that the specification limits the claims. On appeal, the Federal Circuit pointed out that the patent “repeatedly and consistently” characterized GPNE’s “nodes” as “pagers.” As a result, the Federal Circuit agreed with the district court that that “node” should be properly characterized as a “pager.”

The parties also disputed whether “nodes” must operate “independently of a telephone network.” The district court sided with Apple, and on appeal GPNE argued that the district court erred because the phrase only appeared once in the specification. The Federal Circuit disagreed, holding that the sentence in question described the “present invention” as a whole, and so it was proper to limit the scope of the claims based on that sentence.

GPNE further challenged the district court’s failure to provide a claim construction for the term “pager,” which was left for the jury to interpret. This concern was recognized by both parties and the district court, and was discussed in the *Markman* hearing. GPNE did not make a formal request for clarification of the term “pager” until two weeks into the trial, when it requested jury instructions on the term. Apple argued on appeal that GPNE had waived its ability to raise such a challenge because the construction of the word “pager” was not timely raised. The Federal Circuit disagreed, ruling that such a challenge was timely if raised before the end of trial. Nevertheless, the Federal Circuit held that GPNE’s challenge was without merit. While a district court must resolve party disputes over the scope of a claim term, a district court is not required to address all potential ambiguities that do not bear on the scope of the claim. The Federal Circuit found the district court’s construction to be sufficient to resolve the parties’ dispute over the term “node,” and held further construction was not required.

Lastly, GPNE argued that the district court improperly allowed Apple to make arguments to the jury comparing the accused products to the pagers that were common in the 1990s. The Federal Circuit disagreed, holding that the district court did not abuse its discretion by allowing the testimony and refusing to declare a mistrial based on Apple’s arguments. In particular, it noted that GPNE had ample opportunities to rebut the testimony that Apple proffered, and it was within the district court’s discretion to conclude that the jury was not misguided in its role as factfinder.



Halo Elecs., Inc. v. Pulse Elecs. Inc.,
831 F.3d 1369 (Fed. Cir. 2016)

On remand from the Supreme Court, the Federal Circuit affirmed the district court's finding that Pulse's manufacturing, shipping, and delivering of products abroad were not sales or offers for sale in the United States, and thus did not infringe. The Federal Circuit also vacated the district court's determination of no willful infringement and remanded the case for reconsideration of willfulness under the standard articulated by the Supreme Court. Takeaway: when substantial activities of a sales transaction occur entirely outside the United States, pricing and contracting negotiations in the United States alone do not constitute or transform those extraterritorial activities into a sale within the United States.

Halo owns several patents within the United States directed to surface mount electronic packages used in various electronic devices. Pulse supplies electronic components and provides surface mount electronic packages to customers in the United States and to manufacturers outside the United States. Halo sued Pulse for patent infringement. The district court entered summary judgment in Pulse's favor regarding those items sold outside the United States and found direct infringement by Pulse for those items sold within the United States. Relying on the *Seagate* test, the district court declined to enhance damages. The Federal Circuit previously heard an appeal in the case and affirmed the district court's rulings. Both parties petitioned for rehearing *en banc*, which was denied, and Halo petitioned for writ of certiorari in the Supreme Court. The Supreme Court agreed to review the ruling related to willfulness. In its decision, it rejected the prior *Seagate* test for willful infringement and instructed district courts to take into account "the subjective willfulness of a patent infringer."

On remand, the Federal Circuit again affirmed the district court's rulings regarding sales in the United States, holding that it did not err in granting summary judgment of no direct infringement with regard to those products manufactured, shipped, and delivered abroad. To determine if a sale occurred within the United States for the purposes of liability under Section 271(a), a court must examine the activities that took place within the United States and determine if they are sufficient to constitute a "sale" under Section 271(a). The court held that when "substantial activities of a sales transaction" take place outside the United States, negotiations and pricing alone would not convert extraterritorial activities into a sale within the United States for the purposes of Section 271(a).

The court also determined that Pulse did not infringe Halo's patents with an "offer to sell" by offering to sell the products at issue despite the fact that those offers were made in the United States, because the location of all contemplated sales were outside of the United States. The court discussed its decision in *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1311 (Fed. Cir. 2010), where negotiations had occurred outside the United States and sales had occurred within the United States. In *Transocean*, the court held that it was the location of the contemplated sale that determined whether the offer to sell had been made within the United States. Applying *Transocean*, the court held there was no direct infringement.



Finally, with respect to enhanced damages, the Federal Circuit pointed out that the district court relied on the now-rejected *Seagate* test to determine that Pulse did not willfully infringe the Halo patents. Because the Supreme Court invalidated the *Seagate* test due to its rigidity, its “clear-and-convincing standard of proof,” and the “tripartite framework for appellate review,” the Federal Circuit vacated the district court’s previous determination and remanded the willfulness issue back to the district court for determination of whether or not enhanced damages should apply.

***Halo Elecs., Inc. v. Pulse Elecs., Inc.*,**
857 F.3d 1347 (Fed. Cir. 2017)

The Federal Circuit dismissed for lack of jurisdiction defendant Pulse Electronics’ appeal from a district court decision awarding prejudgment interest to plaintiff Halo Electronics because the district court had not determined the amount of prejudgment interest or the date from which to begin calculating prejudgment interest. Takeaway: a decision awarding prejudgment interest that does not determine the amount of the interest or specify the means for determining the amount is not a “final decision” under 28 U.S.C. § 1295(a)(1), nor is it “final except for an accounting” under 28 U.S.C. § 1292(c)(2), and thus does not provide a basis for jurisdiction in the Federal Circuit.

In the district court proceedings, Halo sued Pulse for patent infringement. A jury found Pulse liable for infringement and awarded damages to Halo. The district court awarded Halo prejudgment interest at the Nevada statutory rate, but did not determine the total amount of prejudgment interest or specify the date from which it should be calculated. Instead, the district court ordered the parties to brief the issue of prejudgment interest if they could not stipulate to the total amount. The parties submitted briefing on the issue in which they disputed the date from which prejudgment interest should be calculated, but the court did not rule on the issue. The court later entered a stipulation of satisfaction of judgment for the jury’s damages award, costs, supplemental damages, and post-judgment interest, but the stipulation expressly excluded prejudgment interest. The court took no other action on the topic of prejudgment interest.

The Federal Circuit held that there was no final judgment under 28 U.S.C. § 1295(a)(1), because the parties disputed the amount of prejudgment interest and the method for calculating it, and the district court had not resolved the dispute. The court also held that because the order awarding prejudgment interest was non-final, it did not fall into the exception set out in 28 U.S.C. § 1292(c)(2) for a judgment that is “final except for an accounting.” Accordingly, the Federal Circuit dismissed the appeal for the lack of jurisdiction, noting that Pulse had preserved its right to later file a proper appeal from a final award of prejudgment interest.

***Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc.*,**
855 F.3d 1356 (Fed. Cir. 2017)

In this Hatch-Waxman litigation concerning intravenous formulations of palonosetron for reducing the likelihood of chemotherapy-induced nausea and vomiting, the Federal Circuit interpreted the post-AIA on-sale bar of 35 U.S.C. § 102 to include sale and purchase

agreements that were publicly filed, but that did not publicly disclose specifics of the invention. Takeaway: the post-AIA on-sale bar of 35 U.S.C. § 102 includes sales made available to the public, even if the sales information does not fully disclose the claimed invention.

Helsinn Healthcare brought suit against Teva Pharmaceuticals alleging Teva's ANDA application constituted infringement of four of Helsinn's patents. The district court concluded that as to three of the patents (the '724, '725, and '424 patents), the AIA did not apply, and that the pre-AIA language of Section 102 did not render Helsinn's patents invalid because, although there was a commercial offer for sale prior to the critical date, the patents were not ready for patenting at that time. The district court held that the subsequent patent application was valid and that Teva could be adjudged to have infringed these patents. The Federal Circuit disagreed with the district court's stringent standard in assessing whether the patents were ready for patenting—it found that completion of Phase III trials was not necessary for the patents to be ready for patenting. The court held that because the '724, '725, and '424 patents had worked for their intended purpose prior to the critical date, and were the subject of a public sale, they were invalid.

With respect to Helsinn's fourth patent (the '219 patent), both parties stipulated to the fact that the AIA applied. The district court held that the AIA changed the meaning of the on-sale bar under Section 102 to require the details of the invention to be publicly disclosed in the terms of the sale for it to apply. The Federal Circuit disagreed, holding that the on-sale bar under the AIA did not impose additional requirements, and that a sale prior to the critical date can trigger the on-sale bar even if the invention was not fully disclosed. Under this interpretation of the AIA, the Federal Circuit held that the '219 patent was invalid based on a pre-filing sale by Helsinn that was publicly announced in an SEC filing. Specifically, the court found that the disclosure included "all the pertinent details of the transaction other than the price and dosage levels." Although the dosage levels were an element of the claimed invention, the Federal Circuit found that the sale nonetheless was prior art.

The Federal Circuit declined to rule on whether the post-AIA on-sale bar would apply to a purely private sale. Instead, it cast the sales agreement as public because the parties filed it with the SEC. The court also did not provide insight as to what conditions beyond those already listed in Section 102 would be considered "otherwise available to the public."

Husky Injection Molding Sys., Ltd. v. Athena Automation Ltd.,
838 F.3d 1236 (Fed. Cir. 2016)

The Federal Circuit may not have jurisdiction to hear an appeal relating to the PTAB's interpretation of statutes and its decision to institute. Here, the Federal Circuit held that it lacked jurisdiction to review the PTAB's decision to institute IPR.

The former president and owner of Husky Injection Molding Systems, Ltd. co-invented a molding device which was covered by U.S. Patent No. 7,670,536. He assigned the '536 patent to Husky, sold Husky to a private equity group, and formed a new company called Athena Automation Ltd. Athena filed a petition for IPR, challenging the

patentability of all claims of the '536 patent. In response, Husky argued that assignor estoppel barred Athena from filing the petition. The PTAB rejected Husky's argument and instituted review, reasoning that the equitable doctrine does not apply to petitions for IPR because, in 35 U.S.C. § 311, Congress pronounced a "broad statutory mandate that 'a person who is not the owner of a patent' . . ." may petition PTAB to institute IPR. PTAB found that some of the '536 patent claims were anticipated by a previous patent application, but that others were not because Athena failed to show (1) that the previous application ("Glaesener") adequately incorporated a prior patent ("Choi"); and (2) how skilled artisans would have interpreted certain terminology in Choi.

The Federal Circuit determined that it lacked jurisdiction to hear Husky's appeal (which argued solely that Athena was estopped from seeking IPR under the equitable doctrine of assignor estoppel): "any question concerning assignor estoppel necessarily implicates who may petition for review, and, . . . such a question falls outside of the narrow exceptions to the otherwise broad ban on our review of the decision whether to institute." These narrow exceptions are elaborated in *Cuozzo Speed Technologies, LLC v. Lee* ("*Cuozzo II*"), 136 S. Ct. 2131 (2016). *Cuozzo II* establishes a two-part test for determining whether the Federal Circuit can hear an appeal of PTAB's decision to institute pursuant to an IPR. First, the Federal Circuit must "determine whether the challenge at issue is 'closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate *inter partes* review,'" in which case review is forbidden by Section 314(d), which provides that "the determination by the Director whether to institute *inter partes* review under this section shall be final and nonappealable." If, on the other hand, the challenge "'implicate[s] constitutional questions,' 'depend[s] on other less closely related statutes,' or 'present[s] other questions of interpretation that reach, in terms of scope and impact, well beyond this section,'" the Federal Circuit may hear the appeal. At the second step, however, even if section 314(d) generally forbids review, the court retains jurisdiction if the "challenge . . . is nevertheless directed to [PTAB]'s ultimate invalidation authority with respect to a specific patent." Here, the Federal Circuit concluded that the issue of assignor estoppel fell into the presumptively non-appealable category, and further concluded that the presumption could not be overcome since the application of assignor estoppel only implicated who had the power to petition for IPR and not the validity of the patent itself. Consequently, the Federal Circuit found that it did not have jurisdiction to hear Husky's argument.

Separately, on the question of whether or not the '536 patent was anticipated by prior art, the court explained that a patent is anticipated by prior art documents when those documents "describe every element of the claimed invention, either expressly or inherently." Information incorporated by reference in prior art documents can be considered in making this determination if an artisan skilled in the field would be able to read the later document and understand "with sufficient particularity the material to be incorporated." The Federal Circuit determined that Glaesener did identify with sufficient particularity what language it incorporated from Choi, that any skilled artisan would understand what this language meant, and therefore vacated and remanded for the PTAB to evaluate anticipation in the first instance.



Judge Plager wrote separately, concurring with the court's decision to remand the case and dissenting as to the majority's determination that the Federal Circuit lacked jurisdiction to hear Husky's challenge. Judge Plager explained that in *Cuozzo II*, the Supreme Court found that, despite the express language of Section 314(d), the Federal Circuit's jurisdiction to review cases includes some instances of the PTAB's decision to institute IPR where that decision is not, as here, "closely tied" to the relevant procedural statutes. Furthermore, Judge Plager noted that "the question of whether assignor estoppel applies to the decision to institute made by [the PTAB] in this case could be considered to be one that 'present[s] other questions of interpretation that reach, in terms of scope and impact, well beyond 'this section.'"

***Icon Health and Fitness, Inc. v. Strava, Inc.*,**
849 F.3d 1034 (Fed. Cir. 2017)

In an appeal from an *inter partes* reexamination of Icon's patent, which describes systems for controlling and interacting with exercise equipment, the Federal Circuit affirmed-in-part and vacated-in-part the PTAB's determination that the challenged claims would have been obvious over the cited prior art.

During the reexamination, the examiner relied on the opinions of Strava's expert in finding that all of the challenged claims would have been obvious. The PTAB affirmed the examiner's findings, incorporating the examiner's findings into its decision. On appeal, Icon argued that the PTAB erred in relying on Strava's expert who, according to Icon, improperly provided legal conclusions in his declaration. The Federal Circuit first exercised its discretion to consider Icon's argument even though Icon had not raised this argument below. The court reasoned that it was appropriate to consider Icon's argument because its resolution was "clear" and further because the issue that Icon had raised could affect a "large number" of expert declarations containing similar statements. On the merits, the court rejected Icon's argument, reasoning that there is no per se prohibition in relying on a declaration just because the declaration includes the legal conclusion that something "would have been obvious."

The court further held that the PTAB erred as to some, but not all of the challenged claims. Icon argued that the PTAB failed to make the requisite factual findings to support its obviousness conclusion because, among other things, the PTAB improperly incorporated by reference the examiner's findings. Although the PTAB's incorporation gave the court "considerable pause," the court reasoned that the PTAB is entitled to incorporate factual findings when, as was the case here, that incorporation is done with particularity. Nevertheless, for certain challenged claims, the incorporation was not sufficient because the incorporated statements of the examiner themselves merely incorporated Strava's arguments. Because "[a]ttorney argument is not evidence," the court ruled that incorporations by reference which ultimately incorporated Strava's arguments did not constitute factual findings that would support the PTAB's conclusion. But for other challenged claims, the PTAB incorporated findings of the examiner, which were supported in the record apart from attorney argument. Specifically, findings by the examiner that relied on the teachings of the references constituted factual findings that are, according to the court, sufficient to support the PTAB's ultimate conclusions for those claims.

Judge O'Malley concurred with the majority on the merits, but she would have reversed the PTAB rejections. Judge O'Malley argued that because the PTO bears the burden for establishing unpatentability in reexamination and because the PTO failed to make sufficient findings to establish unpatentability, the proper remedy would be to reverse.

In re Affinity Labs of Texas LLC,
856 F.3d 902 (Fed. Cir. 2017)

In this appeal from the PTAB, the Federal Circuit held that dismissal of an invalidity challenge without prejudice is not a final decision, so the estoppel provision of 35 U.S.C. § 317(b) does not apply. Takeaway: following settlement of an infringement claim, an *inter partes* reexamination will not be dismissed under Section 317(b)'s estoppel provision simply because the coterminous district court case challenging the validity of the same claims has been dismissed without prejudice. Such a dismissal is not sufficiently final for purposes of Section 317(b).

Affinity Labs of Texas, LLC brought suit against Apple Inc. for infringement of the '772 patent and in response, Apple requested *inter partes* reexamination of the patent by the PTO and also challenged the patent's validity in the district court proceedings. Affinity and Apple subsequently settled the dispute in the district court, and the court dismissed the case without prejudice. Apple then filed a notice of non-participation in the reexamination. In the reexamination, the Examiner interpreted Section 317(b)'s requirement that an *inter partes* reexamination be terminated following a final decision in a civil action did not apply in this instance because dismissal of Apple's invalidity claims was without prejudice and therefore not sufficiently final. Accordingly, the Examiner completed the reexamination of the '772 patent and held that all of its claims were invalid. The PTAB affirmed the Examiner's decision.

The Federal Circuit affirmed the PTAB's decision. Specifically, the court agreed that the district court's dismissal without prejudice did not constitute a final decision under Section 317(b). As to the merits of the PTAB's decision, the Federal Circuit held that the PTAB appropriately construed the claims under the broadest reasonable interpretation and correctly held that the claims were invalid as obvious.

In re Affinity Labs of Texas LLC,
856 F.3d 883 (Fed. Cir. 2017)

In this appeal from the PTAB, the Federal Circuit declined to read 35 U.S.C. § 317(b)'s statutory estoppel provision as applying differently when a party requested an *inter partes* reexamination as compared to maintenance of a pending *inter partes* reexamination. Takeaway: Section 317(b)'s estoppel effect on *inter partes* reexamination is claim-based and not patent-based. Section 317(b) applies in the same manner when a party requests an *inter partes* reexamination and during a pending *inter partes* reexamination. Also, the estoppel effect of Section 317(b) has no bearing on *ex parte* reexaminations; Section 317(b) only applies to *inter partes* reexaminations initiated by the party involved in the civil suit or by that party's privies.



The Federal Circuit held that the initial decision by the PTAB denying Affinity's petitions to vacate the merged proceeding was not arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law, and that the Examiner's rejections as to the '833 patent were supported by substantial evidence. The court also found that the PTAB was reasonable to conclude that some claims in the '833 patent were anticipated by another patented device and that other claims were obvious.

In addition, the Federal Circuit affirmed the PTAB's decision that claims 1-27, 37-42, and 45-46 of the '833 patent were unpatentable (this rendered the appeal relating to PTAB's decision as to the unpatentability of claims 1-5, 8-20, and 22-27 moot). The court held that substantial evidence supported the PTAB's decision.

Furthermore, the Federal Circuit held that the fact that Apple Inc. and Volkswagen Group of America, Inc. settled with Affinity as to some of the initially challenged claims in the '833 patent and would have dropped the reexamination did not prohibit the PTAB from completing its pending *inter partes* reexamination. The court held that the PTAB was within its authority to continue the reexamination process even though the case had been resolved in the district court as to some of the claims. However, because the resolved claims were not included in the *inter partes* reexamination, there was no final decision that prevented reexamination under Section 317(b).

The court, invoking a plain language reading of the statute, held that Affinity's interpretation of the estoppel provision for reexamination far exceeded the statutory bounds and that the PTAB acted properly by continuing the reexamination.

***In re AT&T Intellectual Prop. II, L.P.*,**
856 F.3d 991 (Fed. Cir. 2017)

In this litigation over a patent directed to systems and methods of compressing and transmitting digital video data, the Federal Circuit affirmed the PTAB's determination that the patent was invalid as anticipated. Takeaway: even if the requestor of an *inter partes* reexamination attempts to withdraw the request, the PTO may still proceed with the reexamination.

LG Electronics filed a request for an *inter partes* reexamination of AT&T's '071 patent, which describes a method of compressing and transmitting transform coefficients together. Even though LG then sought to have the request denied and filed a petition asking the PTO to suspend its standard rule that prohibited a requester from filing documents during a certain time period, the PTO granted LG's initial reexamination request. The examiner agreed that AT&T's arguments overcame the Yang patent, but found new grounds of rejection based on the Krause patent. Subsequently, LG withdrew from the proceedings.

On appeal, AT&T argued that it was improper for the PTAB to institute reexamination after LG requested a denial of the request for reexamination. However, the Federal Circuit held that when a requester and a request are present for an *inter partes* reexamination, the PTAB acts within its statutory authority under 35 U.S.C. § 312 in deciding whether to

institute reexamination. Thus, since LG was a requester and submitted the request, the court lacked authority to evaluate the PTAB's decision to reexamine.

AT&T also challenged the PTAB's finding that the '071 patent was anticipated by the Krause patent. The '071 patent described a method of mapping a square block of transform coefficients into a one-dimensional list. Krause in a preferred embodiment divided the block of coefficients into regions and then applied vector coding to each region. It noted the difficulty of vector coding an entire block simultaneously. However, since Krause's written description described vector coding a group of transform coefficients without limitations, the court found that Krause's written description disclosed the ability to vector code a block of transform coefficients. Therefore, the court held that substantial evidence supported the PTAB's conclusion that the '071 patent was anticipated by Krause. Last, the court rejected AT&T's argument that the PTAB changed its basis for finding anticipation by Krause because AT&T received notice of the PTAB's second basis for finding anticipation.

In re Chudik,

851 F.3d 1365 (Fed. Cir. 2017)

This case arises from Chudik's application for a patent on a surgical implant. On appeal, the Federal Circuit reversed the PTO's rejection of Chudik's patent application. Takeaway: in an apparatus claim, terms like "arranged to" and "adapted to" require that the element be capable of that limitation without distorting the apparatus's design.

Chudik applied for a patent on an implant for rotator cuff surgery. The examiner rejected Chudik's claims as anticipated and Chudik appealed. On appeal, the Federal Circuit reversed the examiner's rejection of the claims as anticipated. The claims required a "shell having a protruding surface on a first side arranged to engage the surface of a cavity." The Federal Circuit found that the "protruding surface" that the PTAB had identified in the prior art could not be "arranged to engage" the cavity surface without "tearing the device apart." The court explained that "[p]rior art that must be distorted from its obvious design does not anticipate a new invention." The court found, therefore, that substantial evidence did not support the PTAB's anticipation finding.

In re CSB-Sys. Int'l, Inc.,

832 F.3d 1335 (Fed. Cir. 2016)

If a patent expires while the patent is being reviewed by the PTO, the PTO should apply the *Phillips* claim construction standard instead of the broadest reasonable interpretation ("BRI"). Thus, in this appeal from a reexamination before the PTO, the Federal Circuit held that the PTAB erred in applying the BRI standard rather than the *Phillips* standard. But the different standard in this case did not result in a different claim construction, and as such, the court affirmed the PTAB's rejection.

CSB-Systems International, Inc. is the assignee of a patent directed to a circuit arrangement for integrating an electronic data processing system with telephone systems connected to an integrated services digital network. During the reexamination, the examiner construed

several claim terms using the BRI standard and found the claims of the patent as either anticipated or obvious. CSB appealed to the PTAB, and during the appeal, the patent expired. However, the PTAB continued to apply the BRI standard in considering and affirming the examiner's rejections.

The Federal Circuit disagreed with the PTAB's use of the BRI standard for claim construction in considering CSB's patent. The PTO had argued that because the PTAB operates as a tribunal of review for the examiner's work, they must apply the same standard, and that the BRI standard was appropriate because CSB had an opportunity to amend the claims while they were before the examiner as the patent had yet to expire. The Federal Circuit found these arguments to be unpersuasive. The court held that when a patent expires during a reexamination proceeding, the PTO should apply the *Phillips* standard for claim construction, rather than BRI even if that causes the PTAB to apply a different standard than the examiner.

Although the court held that the PTAB had erred in applying the BRI standard instead of the *Phillips* standard, the court found that either standard would produce the same result in this case. The court affirmed the PTAB's unpatentability findings as to all claims of CSB's patent in light of prior art presented during the reexamination. CSB argued the term "personal computer" should exclude personal computers running software to emulate terminals, and that "LAN server" should be construed to require specific characteristics beyond the term's plain meaning. The court disagreed, reasoning that CSB had not identified any support in the specification for limiting the term "personal computer." Indeed, the specification indicated that the term "personal computer" encompasses generic "PCs." The court further reasoned CSB's arguments regarding "LAN server" related to the comparison of the claims to prior art, and so should be reviewed for substantial evidence rather than *de novo*. Because there was substantial evidence that the prior art disclosed the "personal computer" and "LAN server" limitations, the court affirmed the PTAB's rejection of the claims.

In re Efthymiopoulos,

839 F.3d 1375 (Fed. Cir. 2016)

In this appeal from the prosecution of an application directed to methods of treating or preventing influenza by administering the drug zanamivir by oral inhalation, the Federal Circuit affirmed the examiner's rejection of the claims as obvious. During prosecution, the examiner had rejected the pending claims as obvious over Australian Patent No. AU-A1-27242/92 ("Von Itzstein II") in view of WIPO Publication WO 91/16320 ("Von Itzstein I"). Von Itzstein I teaches that zanamivir can be used to treat and prevent influenza, but it only discloses intranasal administration (not oral inhalation). Von Itzstein II discloses that a compound similar to zanamivir by "inhalation" may be administered to treat and prevent influenza. PTAB affirmed the examiner's rejection, finding that Von Itzstein II's disclosure of "inhalation" for treating influenza with its compounds "is reasonably understood to disclose inhalation by either the nose alone, mouth alone, or both" and thus concluded that Von Itzstein II in view of Von Itzstein I's disclosure of zanamivir rendered the claims obvious.

The Federal Circuit affirmed that the PTAB's determination, holding that substantial evidence supported the PTAB's finding that a skilled artisan would be motivated to use zanamivir to treat influenza—as disclosed in Von Itzstein I—through the methods disclosed by Von Itzstein II in the context of an adjacent homologue of zanamivir, through “oral,” “nasal,” or other forms “suitable for administration by inhalation.” The PTAB's finding that Von Itzstein II's disclosure of administration through “inhalation” includes oral inhalation was also supported in the record as the court reasoned that inhalation can only be carried out via the nose or the mouth and Von Itzstein II does not limit its disclosure to nasal inhalation. The Federal Circuit further held that the PTAB's determination that a skilled artisan would have a reasonable expectation of success in combining the Von Itzstein references was also supported by substantial evidence because it was known in the art that certain strains of the virus attack the lower respiratory tract, and oral inhalation delivers more drugs to the lungs as compared to nasal inhalation. Finally, the Federal Circuit rejected Efthymiopoulos's argument that the PTAB disregarded evidence of unexpected results supported by expert testimony, finding PTAB correctly rejected Efthymiopoulos's argument because the claimed method did not necessarily yield unexpectedly superior results.

Judge Newman dissented, arguing that the application was not obvious because “there is no reference, no prior art, no suggestion, proposing that this mode of application might succeed, or that it should be tried.” In addition, there was evidence of skepticism about the efficacy of oral administration. The Von Itzstein references did not specifically teach inhalation of the compound through the mouth and there was no suggestion in any reference that treatment by oral inhalation would have a reasonable expectation of success. Thus, Judge Newman contended, the majority opinion “rules that the discovery of effective treatment by oral inhalation is obvious to the court, although not obvious to experts, and not suggested in the prior art.”

In re Ethicon, Inc.,

844 F.3d 1344 (Fed. Cir. 2017)

In an appeal of an *inter partes* reexamination, the Federal Circuit affirmed the rejection of claims for obviousness. Ethicon owns a patent relating to intraluminal medical devices for local delivery of drugs with a coating comprised of an 85:15 ratio of vinylidene fluoride (“VDF”) and hexafluoropropylene (“HFP”) elastomers. Ethicon sued Boston Scientific and Abbott Laboratories for infringing the patents, each of whom in turn requested *inter partes* reexamination of the patent. The examiner rejected claims 1-17 and 19-23 as obvious over three references, referring to as the “Tuch,” “Tu,” and “Lo” patents. The PTAB affirmed the rejection.

On appeal, Ethicon argued that the examiner failed to provide any reason to combine the prior art references. But in affirming the rejection, the Federal Circuit reasoned that the Supreme Court has instructed that factfinders do not need to find an explicit teaching, suggestion, or motivation in the cited prior art references and that nonobviousness requires “more than the predictable use of prior art elements according to their established functions.” *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007).

In particular, the Federal Circuit held that the PTAB's factual findings—which the court held to be supported by substantial evidence—showed that one of ordinary skill in the art would have sought combine Tuch, Tu, and Lo in a manner that meets the claims. Specifically, Tuch teaches that elasticity and biocompatibility are useful polymer characteristics in intravascular stents. Ethicon had argued that Tuch's teaching that another stent coating, a bioabsorbable polymer, may be "desirable," constitutes a teaching away from VDF:HFP coatings, but the court disagreed reasoning that Tuch did not specifically discourage the use of VDF:HFP as a stent coating. Moreover, the court reasoned that Tu's warning against elastomer migrating into the blood was limited to a particular embodiment, and thus also did not teach away from the combination.

The court also found no error in relying on Lo despite its age and failure to indicate any biomedical applications. The court held that substantial evidence supported the PTAB's finding that Lo was at least reasonably pertinent, and that mere age of a reference is not persuasive evidence of non-obviousness without an indication that those in the art tried and failed to solve the problem at issue.

Judge Newman dissented, reasoning that no reference or combination of references teaches, suggests, or motivates the device and its coating. She argued that Tuch did not provide substantial evidence of the copolymer as stent material and that the Tu and Lo patents related to coatings for different products with different purposes. Judge Newman also asserted that the PTAB erred by failing to consider the objective indicia, which was not tainted by hindsight.

In re NuVasive, Inc.,
842 F.3d 1376 (Fed. Cir. 2016)

In this appeal from an IPR, the Federal Circuit clarified the level of explanation that the PTAB must provide to adequately support findings regarding a "motivation to combine" in the context of an obviousness determination.

NuVasive, Inc. appealed the PTAB's final IPR decision finding certain claims of U.S. Patent No. 8,361,156 invalid as obvious. The '156 patent describes spinal fusion implants. The PTAB found that the claims would have been obvious over various combinations of prior art references. On appeal, NuVasive argued that the PTAB's final written decision should be reversed on the grounds that (1) the PTAB erred in concluding that some of the prior art references were publically accessible printed publications, and (2) the PTAB failed to adequately explain findings regarding the obviousness of the '156 patent's claims, specifically the motivation to combine the prior art references.

Regarding public accessibility of the printed prior art publications, the Federal Circuit panel declined to consider the issue because NuVasive failed to preserve the issue for appeal. Although NuVasive challenged the public accessibility of the prior art references during the IPR's preliminary proceedings, it declined to raise the issue during the trial phase, despite the PTAB's warning that a waiver would result. Since the PTAB did not address the issue in its final written decision, the Federal Circuit could not consider it on appeal.



The panel, however, agreed with NuVasive’s argument that the PTAB failed to adequately explain its findings as to the obviousness of the ’156 patent’s claims. The panel reasoned that, when the “motivation to combine” issue is disputed, the PTAB must adequately explain its findings on the issue. An adequately explained finding requires that the PTAB articulate a “reason why” a person having ordinary skill in the art (“PHOSITA”) would be motivated to combine the prior art references.

According to the panel, the PTAB here failed to articulate a “reason why” a PHOSITA would be motivated to combine the prior art (specifically, to combine use of radiopaque markers with positioning specifically on the medial plane). During the IPR, the expert for Medtronic, Inc., the petitioner, had opined in “conclusory” and opaque terms that combining the prior art would yield “additional information,” which the patentee disputed. Although the PTAB’s final written decision dismissed the patentee’s view as underestimating the ordinary skill of surgeons in the field, it provided no explanation for its ultimate conclusion. For example, the PTAB did not provide a finding that the evidence showed that a PHOSITA would have benefitted from the “additional information.”

The Federal Circuit reasoned that the PTAB must have an “evidentiary basis for its findings” and must “articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made.” Here, however, the PTAB never articulated the type of “additional information” a PHOSITA would obtain from combining the prior art, and failed to disclose how the “additional information” would be used.

Because the panel could not “reasonably discern” the PTAB’s reasoning as to motivation to combine, it could not meaningfully decide the issue. Thus, the panel vacated and remanded for additional findings and explanations supporting the alleged “motivation to combine.”

In re NuVasive, Inc.,
841 F.3d 966 (Fed. Cir. 2016)

To successfully argue that a party was denied an opportunity to respond during an IPR, a party must show that it attempted to, but was denied the chance respond through the procedure available before the PTAB (*e.g.*, request for surreplies or addressing argument at an oral hearing). In this appeal from an IPR proceeding involving a patent to a spinal fusion implant, the Federal Circuit affirmed the PTAB’s decision in one IPR (’507 IPR), invalidating patent claims on a spinal fusion implant, but vacated and remanded in a related IPR (’508 IPR) because the patentee established that it was denied an opportunity to respond.

The limitations at issue in both IPR proceedings required a spinal fusion implant both greater than 40 mm in length and with a length at least 2.5 times its width (the “long-and-narrow implants”). The PTAB held all but one of the challenged claims to be obvious, finding that the cited prior art (Michelson) described a spinal fusion implant that met both of these limitations.

On appeal, NuVasive argued that it had not received adequate notice of this reading of Michelson as disclosing long-and-narrow implants that met both size requirements. Medtronic's petition in the '507 IPR argued that another reference (Frey) disclosed an implant whose length is at least 2.5 times its width, and it would have been obvious to modify Frey to be at least 40 mm long as taught by Michelson. In doing so, Medtronic cited Figure 18 from Michelson, the PTAB heavily relied on as showing a long-and-narrow implant that met both the 2.5 times limitation and the 40 mm limitation. During the IPRs, NuVasive argued that no single reference taught an implant that met both limitations, and Medtronic responded by citing Figure 18. NuVasive then argued that this was a new ground of invalidity asserted for the first time on reply. The PTAB denied NuVasive's requests to file a motion to strike, request for surreplies, and attempt at oral argument to address the issue. NuVasive's only recourse was to cross-examine Medtronic's expert and file "observations" on the cross-examination.

The Federal Circuit determined there was adequate notice of the argument in the '507 IPR but not in the '508 IPR. Because Medtronic had cited Figure 18 in the petition for the '507 IPR, NuVasive received "barely sufficient" notice of the argument, but because Medtronic had not cited it in the '508 IPR, notice was not given of the argument upon which the PTAB heavily relied. The court also held that the consolidation of the two IPRs did not mean that the notice in the '507 IPR applied to the '508 IPR. The court held that PTAB had not given NuVasive an opportunity to respond to the argument, finding that the ability to cross-examine Medtronic's expert and file observations on that testimony was not an adequate substitute for the opportunity to present evidence and arguments.

In re Rearden LLC,

841 F.3d 1327 (Fed. Cir. 2016)

In a dispute regarding ownership of visual effects technology, Rearden LLC petitioned the Federal Circuit for a writ of mandamus to challenge a district court's order compelling it to produce allegedly privileged documents. As the defendant in the underlying action, Rearden had also asserted patent infringement counterclaims.

Respondent Virtue Global Holding Limited argued that the Federal Circuit had no jurisdiction to hear the petition because its own claims underlying issue related to the petition concerned an ownership dispute, not a patent dispute per se. The Federal Circuit disagreed. It reasoned that Congress expanded the Federal Circuit's jurisdiction through the America Invents Act to include compulsory counterclaims "arising under" patent law. The court noted that it had previously utilized three tests to determine whether a counterclaim was compulsory under Federal Rule of Civil Procedure 13(a): (1) whether the legal and factual issues raised by the claim and counterclaim are largely the same; (2) whether substantially the same evidence supports or refutes both the claim and the counterclaim; and (3) whether there is a logical relationship between the claim and the counterclaim. The Federal Circuit held that Rearden's counterclaims met all three tests. In order to succeed under its patent infringement counterclaims, Rearden would have to show that it owned the technology, which was the issue disputed in the state law claims. And the facts regarding use of the technology alleged for the state law claims also gave rise to the counterclaim for infringement. Thus, the counterclaims arose out of (and were



contingent upon) the state law claims, making them compulsory and giving the Federal Circuit jurisdiction over the case for appeal.

The Federal Circuit then considered the merits of Rearden's petition. The writ challenged the district court's denial of a request for an evidentiary hearing and denial to supplement the record with a follow-up declaration. The Federal Circuit applied the Ninth Circuit's law and thus reviewed the determinations for an abuse of discretion. The Federal Circuit further noted that its review was particularly deferential because Rearden sought relief by way of mandamus. The court would overturn the district court's decisions only upon a showing of a "clear and indisputable" right to relief and no adequate legal channels through which to obtain the said relief.

The Federal Circuit found that Rearden failed to meet this high standard. The magistrate court had accepted a first declaration and granted a hearing to consider it. According to the Federal Circuit, the district court was not required to hold a second evidentiary hearing, or, after the first, permit submission of a second declaration. Rearden failed to explain why it did not submit the information contained in the supplemental declaration to the magistrate at that time, or why a second hearing on the issue was necessary. The Federal Circuit also rejected Rearden's assertion that the district court erred in not deferring a ruling on whether the documents that it sought were privileged—the district court was not required to refrain from making preliminary factual determinations that addressed privilege issues.

Finally, the Federal Circuit rejected arguments that the district court erred in concluding that Rearden could not assert the privilege on behalf of a related party. The Federal Circuit declined to question the district court's preliminary factual findings on such basis, noting that Rearden had alternative avenues through which to obtain review on the question after trial.

In re Van Os,

844 F.3d 1359 (Fed. Cir. 2017)

In this appeal from the prosecution of an application relating to touchscreen interface technology, the Federal Circuit vacated and remanded the PTAB's decision, reasoning that to rely on common sense to find a claim obvious, the PTAB must ground its decision in explicit and clear reasoning.

The application at issue describes a touchscreen interface in a portable electronic device that allows a user to rearrange icons. The pending claims recite the activation of the rearrangement mode by touching an icon for an extended time. The examiner rejected these claims for obviousness over two prior art references: "Hawkins" and "Gillespie." Hawkins disclosed a touch-sensitive screen with an option to rearrange icons, and Gillespie disclosed pressing an icon for an extended time as a method for activating a rearrangement mode. The examiner found that adding Gillespie's teachings to that of Hawkins would have been "an intuitive way for users of Hawkins' device to enter the editing mode." The PTAB incorporated the examiner's analysis and found no error in the obviousness conclusion.



The Federal Circuit found the examiner's and PTAB's reasoning insufficient. The court explained that factfinders must provide "explicit and clear reasoning providing some rational underpinning why common sense compels a finding of obviousness." *Plantronics, Inc. v. Aliph, Inc.*, 724 F.3d 1343, 1354 (Fed. Cir. 2013). Without an articulated rationale, a finding that a combination would have been "common sense" or "intuitive" is, as the court reasoned, no different than a conclusory statement that the combination would have been obvious. The examiner's and PTAB's rationale here was insufficient because, among other reasons, neither explained why combining Hawkins with Gillespie would have been "intuitive." The court added that, as an administrative agency, the PTO must make sufficient factual findings to permit appellate review, but failed to do so with respect to its reasoning that the combination would have been intuitive. Thus, the court remanded for further proceedings.

Judge Newman dissented in part, arguing that the court should not remand the case. Arguing that because the PTO and the PTAB bear the burden of establishing unpatentability and failed to meet that burden, Judge Newman believed that the PTO should be required to allow the claims at issue.

***In re Warsaw Orthopedic, Inc.*,**
832 F.3d 1327 (Fed. Cir. 2016)

In this IPR appeal, the Federal Circuit affirmed in part, vacated in part, and remanded to the PTAB for additional explanation of one issue. Takeaway: the PTAB must provide a "logical and rational" explanation for its findings; a single, conclusory sentence is insufficient.

Warsaw owned a patent related to a spinal surgery that involved inserting an artificial implant between two vertebrae from the patient's side, as opposed to from the front or back of the patient, with the goal of relieving disc disease and spinal deformities. Two of the patent's claims recited instrumentation as well as methods used in performing this particular surgical procedure. Some of the challenged claims also recited the surgical method beginning from the incision in the patient's side through to the instruments used and the inserting of the implant. NuVasive filed two petitions for IPR, and the PTAB found some of the challenged claims unpatentable as obvious.

On appeal, the Federal Circuit emphasized the need for the PTAB to identify the specific evidence on which findings were based, as well as an explanation of the PTAB's reasoning that lead to its ultimate patentability conclusion. The Federal Circuit agreed that prior art references together provided for the dimensions of the insert, and that a person of ordinary skill in the art ("POSITA") would be motivated to combine the references and would have had a reasonable expectation of successfully doing so. Warsaw had argued that the PTAB merely found that the references could have been combined to reach claimed dimensions, not that a POSITA would have been motivated to do so. But the Federal Circuit disagreed, reasoning that the PTAB explicitly stated that a POSITA would have been motivated to make the combination.

Warsaw also argued that substantial evidence did not support the PTAB's conclusion that the prior art teaches positioning a surgical instrument with "elongated portions" so that the elongated portions covered part of each vertebrae, as some of the claims required. The PTAB had stated in a single, conclusory sentence that Warsaw's arguments were insufficient. The Federal Circuit vacated the PTAB's conclusion because it failed to provide a "logical and rational" explanation. Specifically, the court reasoned that, based on the record before it, it was unable to reasonably discern the PTAB's rationale in finding that the "elongated portions" limitations were present in the prior art.

Intellectual Ventures I LLC v. Capital One Fin. Corp.,
850 F.3d 1332 (Fed. Cir. 2017)

In a case regarding patent eligibility, the Federal Circuit addressed both district court procedures and the two-step analysis regarding patent-eligible subject matter under 35 U.S.C. § 101. Takeaways: (1) a certification of a partial final judgment under Federal Rule of Civil Procedure 54(b) is justified if the reasoning for certification is sufficiently set forth, even if provided subsequent to the initial ruling; (2) given the tenuous relationship between adjudicated claims on appeal and unadjudicated counterclaims, the mere existence of some factual overlap between the two does not necessarily lead to the conclusion that a decision of certification was an abuse of discretion; (3) a patentee is appropriately collaterally estopped from disputing a patent's validity if, in a prior proceeding, a final and valid judgement was reached, in accordance with the finality standard under the applicable regional circuit; and (4) the two-step *Alice* inquiry into patent eligibility requires (i) determining if the claim is directed to a patent-ineligible concept or abstract idea, and if so, (ii) determining whether the elements of the claim individually or together transform the nature of the claim into a patent-eligible application.

The Federal Circuit affirmed the district court's decision to certify a partial final judgement, invalidating two of the patents-in-suit, under Rule 54(b). The patentee argued that there was insufficient analysis for its decision and that the close interrelationship between its claims on appeal and the remaining unadjudicated counterclaims weighed against certification. The Federal Circuit found that there was no just reason for delay, given that the district court had subsequently explained why judicial economy supports its determination. Furthermore, the remaining counterclaims, implicating the patentee's whole portfolio of approximately 3,500 patents, transcended the narrow set of issues asserted by the patents in suit. Given the scope of these counterclaims, the existence of some factual overlap was not adequate to demonstrate abuse of discretion.

The Federal Circuit also held that the district court's decision to collaterally estop the patentee from raising the issue of a third patent's validity (the '084 patent) was also correct where a final and valid judgment was entered in a prior proceeding, despite the lack of a formal express order or a "no just reason for delay" determination. Under the law of the Fourth Circuit, finality means that the litigation has reached a stage where the court sees no really good reason for permitting it to be litigated again. The Federal Circuit held that the finality prong was met when a district court in the Southern District of New York granted a partial summary judgment motion invalidating the patent after briefing and oral argument had taken place and additional discovery motions were denied as moot.



Finally, the Federal Circuit affirmed the district court's invalidation of the other two patents under Section 101 after applying the two-step *Alice* test promulgated by the Supreme Court. The Court of Appeals held that the claims were directed to the abstract idea of collecting, displaying and manipulating data. The Federal Circuit also held that the claims lacked an inventive concept because the claims did no more than recite the routine steps of data collection and organization using generic computer components and conventional data processing activities.

***Intellectual Ventures I LLC v. Erie Indem. Co.*,**
850 F.3d 1315 (Fed. Cir. 2017))

In this appeal from the Western District of Pennsylvania, the Federal Circuit affirmed the district court's determination that (1) Intellectual Ventures lacked standing to sue because it did not own the rights to a patent; and (2) that other patents asserted by Intellectual Ventures were invalid under Section 101 because the claims were directed to an abstract idea. Takeaway: an agreement to convey rights to a particular patent does not automatically include the conveyance of that patent's child applications such as continuations. The agreement must explicitly refer to such continuations to convey those rights.

Intellectual Ventures I LLC ("IV") sued Erie Indemnity Company alleging infringement of three patents on accessing computer data and locating information in a database. The district court held that the two asserted patents were directed to an abstract idea implemented using generic computers and, as such, were not patent-eligible under *Alice*. With respect to a third patent, the district court granted Erie's motion to dismiss for lack of standing after concluding that IV did not own the rights to the patent. It held that a particular assignor did not assign any rights or to the then-pending application to the patent, breaking the chain in ownership of the patent.

In affirming the district court's holding that IV's "database" patent was ineligible, the Federal Circuit agreed with the lower court that the claims of that patent were directed to the abstract concept of using an index to sort data. It rejected IV's claim that the patent should be held valid because it uses specific computer language tags and metadata. The court stated that the "claimed steps recite no more than routine steps involving generic computer components and conventional computer data processing activities to accomplish the well-known concept of creating an index and using that index to search for and retrieve data." The Federal Circuit also agreed with the district court that IV's other claims reciting a system for remotely accessing computer data were directed to the abstract concept of remotely accessing user-specific information using generic computers. Rejecting IV's argument that the claimed mobile interface "is a particular software-driven machine that performs specific operations to solve a problem unique to the field of computer networks," the Federal Circuit found that the mobile interface actually "does little more than provide a generic technological environment to allow users to access information."

The Federal Circuit affirmed the district court's ruling that IV lacked standing to assert a third patent on a system for collecting information regarding a user of a device. A company called Alset assigned the patent to IV. However, the Federal Circuit determined that Alset

never owned the patent and could not convey any rights to it such that IV lacked standing to sue. Alset believed it acquired the patent from another company but the agreement which allegedly conveyed the patent did not explicitly list the patent at issue. Instead, the agreement assigned Alset an earlier patent from which the patent in question issued as a continuation patent. Finally, the Federal Circuit vacated the district court's ruling that the third patent was also ineligible, because it could not address the eligibility of a patent under Section 101 where the party that filed the suit is not the "patentee" under Section 281 and fails to join the patentee to the suit.

***Intellectual Ventures I LLC v. Symantec Corp.*,**
838 F.3d 1307 (Fed. Cir. 2016)

The Federal Circuit upheld a district court's finding of ineligibility for two patents held by Intellectual Ventures I LLC ("IV"), and reversed the lower court's holding that a third patent was valid. IV sued Symantec Corporation and Trend Micro for infringing three software patents: the claims of U.S. Patent No. 6,460,050 were directed to a system of filtering out spam e-mails; the claims of patent 6,073,142 were directed to methods of receiving e-mails on behalf of a business and routing them to the correct person based on a number of rules; and the claims of patent 5,987,610 were directed to screening computer viruses in a telephone network. At trial, the jury found that Symantec had infringed the '142 and '610 patents under 35 U.S.C. §§ 102 and 103. After trial, Symantec moved for judgment on partial findings on the basis that the patents-in-suit were ineligible under 35 U.S.C. § 101. Trend Micro, which only faced allegations relating to the '050 and '142 patents, moved for summary judgment before trial, also arguing that the patents were ineligible under Section 101. The district court held that the '050 and '142 patents, but not the '610 patent, were ineligible.

The panel majority held that all three patents were ineligible. The panel agreed that the '050 patent functioned as an e-mail filter akin to the practice of discarding paper junk mail without opening it, and that the '142 patent was akin to the practice of sorting mail in accordance to a variety of rules. The panel also held that the claims lacked an inventive concept. The panel majority held that the '610 patent was akin to the generally known process of screening for computer viruses, with no inventive concept.

Judge Mayer concurred, arguing that Section 101 can help to protect against potentially harmful attempts to patent processes that restrict the exchange of information over the Internet: because patents are government-sanctioned monopolies, the public has a paramount interest in ensuring that patents do not invade First Amendment rights. Judge Mayer further stated that the Federal Circuit should pronounce that "*Alice* sounded the death knell for software patents," and listed reasons why software patents should no longer be issued or considered valid.

Judge Stoll dissented from the court's ruling that the '610 patent was invalid, arguing that, while it was true that this patent claimed the abstract idea of "virus screening," the order and method in which the patent deployed its virus protection techniques in the telephone network itself (rather than on the end user's computer) indicated an inventive quality that utilized known techniques in a different and new way.

IPCom GmbH & Co. v. HTC Corp.,
861 F.3d 1362 (Fed. Cir. 2017)

In a case regarding a patent claiming methods and systems for handover in a cellular telephone network, the Federal Circuit addressed a number of issues relating to the proper standard for claim construction, correct interpretation of PTO regulations, obviousness analysis under Section 103, and determination of jurisdiction. Takeaways: (1) the proper claim construction for a means-plus-function limitation is governed by Section 112 ¶ 6, which sets a limit on how broadly the PTO may construe means-plus-function language, and the PTO may not disregard the structure disclosed in the specification when rendering a patentability determination; (2) a combination of prior art can disclose the same limitation as the one in dispute; and (3) using a combination of known prior art would be obvious if it would have yielded no more than a predictable result and a person of ordinary skill would have been motivated to combine these teachings.

As the '830 patent describes, a handover occurs when a mobile station (MS) switches from one base station (BS1) to another (BS2). The Federal Circuit vacated in part the PTAB's ruling of obviousness under Section 103 because the PTAB's claim construction analysis was erroneous. Claims 1, 18, 30, and 34 recite the "arrangement for reactivating the link" means-plus-function limitation, which describes the feature that allows the mobile station to continue maintaining a link with the first base station in the event that it cannot establish a link with the second station. This eliminates the need to then resend link information to the first base station and reduces the chance of interrupted service. In a prior proceeding, HTC and IPCom agreed that the "arrangement for reactivating the link" was a means-plus-function limitation. The PTAB rejected the individual steps of IPCom's three-step algorithm but never specified what it believed was the actual algorithm disclosed by the patent for performing the stated function. It impermissibly treated the means-plus-function limitation as if it were a purely functional limitation. The court thus remanded for the PTAB to identify the corresponding algorithm (if any).

The Federal Circuit affirmed the PTAB's obviousness findings for the remaining claims. The court found that substantial evidence supported the conclusion that a combination of prior art references from the McDonald, Anderson, GSM and PACS handover systems discloses the same limitations described by the other '830 patent claims. The court affirmed the PTAB's conclusion that a person of ordinary skill in the art would have been motivated to combine the teachings, as a crossover between the systems would have been readily apparent in light of their interrelated teachings and disclosures, and their combination would have resulted in no more than a predictable result.

The court also rejected IPCom's procedural argument that the PTAB could not rely on GSM and PACS as prior art references, since HTC did not explain why it did not/could not have presented them earlier in the proceeding. However, Section 41.77(c) only requires that HTC's comments be limited to issues either raised by the patentee's request to reopen litigation or the PTAB's decision. Because HTC cited these references in response to IPCom's election to reopen prosecution, no explanation was required.



Lastly, the court rejected ICom’s arguments challenging the PTAB’s jurisdiction during the second round of review to consider the patentability of claims 31-37. ICom argued that the PTAB was limited by HTC’s Notice of Appeal in the first round, which failed to challenge these claims as to obviousness. The court found that there was proper jurisdiction since ICom amended these claims, altering their scope and thus permitting HTC to challenge them.

Joseph Phelps Vineyards, LLC v. Fairmont Holdings, LLC,
857 F.3d 1323 (Fed. Cir. 2017)

The Federal Circuit vacated a Trademark Trial and Appeal Board (TTAB) decision denying Joseph Phelps Vineyards’ petition to cancel Fairmont Holding’s federally registered mark. The Federal Circuit vacated the TTAB’s decision to deny cancellation because the TTAB applied an incorrect all-or-nothing measure of whether Joseph Vineyards’ mark was famous when assessing the potential for confusion. Takeaway: in a trademark case, fame must be measured in a totality of the circumstances approach in relation to other confusion factors.

Joseph Phelps Vineyards (petitioner) produced and sold wines bearing the trademark INSIGNIA since 1978. In 2012, Fairmount Holdings received federal registration for the mark ALEC BRADLEY STAR INSIGNIA for cigars. The TTAB held, “while it appears [Joseph Phelps Vineyard’s] INSIGNIA branded wine has met with success in the marketplace, we are not persuaded on this record that the petitioner’s mark is a famous mark.” The TTAB gave no weight to the fame of the mark in its multifactorial analysis of potential confusion.

The Federal Circuit disagreed with this approach. The Federal Circuit held that the TTAB erred because it applied an all-or-nothing measure of fame. The court held that while this binary methodology may be appropriate for a dilution analysis, it is inappropriate for likelihood of confusion analysis. The petitioner provided evidence that INSIGNIA wine was renowned in the wine market and among consumers of fine wine, and INSIGNIA wine earned numerous awards and accolades. The court vacated and remanded the decision requiring the TTAB to use a totality of the circumstances approach that includes the relative amount of fame Joseph Phelps Vineyards acquired for its mark. Judge Newman concurred, highlighting the TTAB’s failure to also consider the appropriate relatedness factors (including the wine and cigars potential complementary usage) and the TTAB’s failure to consider Fairmont’s actual use of its registered mark. Judge Newman advocated for these factors, like fame, to be considered on remand in a totality of the circumstances approach.

Liberty Ammunition, Inc. v. United States,
835 F.3d 1388 (Fed. Cir. 2016)

The Federal Circuit reversed the Court of Federal Claims’ (“CFC”) determination that certain ammunition rounds used by the United States Army infringed the claims of a government contractor’s patent. The patentee, Liberty Ammunition, Inc., sued the United States, claiming that the rounds used by the Army infringed its patent. Liberty Ammunition’s patent was directed to a firearm projectile designed to overcome



disadvantages associated with conventional firearm projectiles. In particular, the claimed firearm projectile was designed to achieve increased lethality in soft-tissue targets by avoiding “through-and-through hits” in which a projectile completely passes through a soft-tissue target, as such hits compromise target incapacitation. Additionally, the claimed firearm projectile was designed to be lead-free to address environmental concerns on Army target ranges.

After construing the disputed claim terms, the CFC held that certain ammunition rounds used by the U.S. Army infringed Liberty Ammunition’s patent. At issue on appeal were the proper construction of two disputed claim terms and whether, properly construed, the claims covered the firearm projectiles used by the United States Army. The patent claimed a projectile comprising a body with an interface portion connecting the nose and tail portions of the body, the interface portion positioned “to define a reduced area of contact of said body with the rifling of the firearm.” The patent claims also required that the interface portion be “disposed intermediate opposite ends” of the body.

The Federal Circuit disagreed with the district court’s construction of the first term, *i.e.*, “reduced area of contact.” Relying on the patent’s specification, the Federal Circuit concluded that “reduced area of contact” means a reduced area of contact compared to a conventional projectile, and in particular, the M855 round, which was specifically mentioned as a conventional projectile in the specification. In other words, the M855 round was the proper standard for determining whether a 5.56 mm projectile’s area of contact had been “reduced,” as required by the claim limitation. Using this construction, the Federal Circuit concluded that the U.S. Army’s ammunition rounds did not meet the claim because the accused projectiles had an increased contact area when compared to the M855 round.

The Federal Circuit also adopted the government’s position that the claim term requiring the interface portion be disposed “intermediate opposite ends” of the body means that the interface must be positioned “between or in the middle of the opposite ends of the forward end of the nose portion and the trailing end of the tail portion . . . such that the interface does not extend all of the way to the front or to the end of the projectile.” In other words, the claims would not read on ammunition rounds unless their interface was positioned entirely between the forward and trailing end of the projectile. Because the accused Army rounds included an interface extending to and covering the rear end of the projectile, the accused rounds did not meet the “intermediate opposite ends” limitation. Accordingly, the Federal Circuit reversed the district court’s finding of infringement with respect to the second claim.

***LifeNet Health v. LifeCell Corp.*,**
837 F.3d 1316 (Fed. Cir. 2016)

In this litigation involving a patent for plasticized soft tissue grafts, the Federal Circuit unanimously affirmed the district court’s denial of judgment as a matter of law and entry of judgment that the patent was not invalid and infringed. The court held that when the district court fails to resolve a legal dispute about the scope of a claim, a litigant must raise the need for further construction before or during trial to preserve the issue. Moreover, an



apparatus claim may contain elements of use as long as that use defines a property of the claimed invention.

LifeNet's patent was directed to plasticized soft tissue grafts in which the tissue was preserved by replacing its water with biocompatible plasticizers providing similar hydration. The apparatus and method claims at issue specified that the plasticizers not be removed from the grafts before implantation.

LifeCell created its own soft tissue grafts that were also preserved in a plasticizer solution. Users of LifeCell's products were instructed to soak the grafts in a saline solution for at least two minutes prior to implantation to remove a significant amount of plasticizers.

LifeNet sued LifeCell, asserting that LifeCell's soft tissue grafts infringed the patent. At the claim construction hearing, the district court held that the claims only covered grafts for which no plasticizers had been removed prior to transplantation. LifeCell filed a motion for summary judgment on the ground that, because this construction added a use limitation to the claims, it rendered apparatus claims 1-4 indefinite. The district court denied this motion and allowed the case to proceed to trial. At trial, the jury found that the '200 patent was valid and that LifeCell's grafts infringed its claims.

On appeal, the Federal Circuit declined to further construe the patent. LifeCell argued that the district court's claim construction left the scope of the claim ambiguous, improperly allowing the jury to construct elements of the claim in violation of *O2 Micro*. But the Federal Circuit held that LifeCell did not establish an *O2 Micro* violation because LifeCell had failed to request a new or modified claim construction prior to or during the trial. In the absence of such an attempt to rectify the ambiguity, the Federal Circuit held that LifeCell had not properly preserved the issue.

The court next addressed LifeCell's challenges to the jury's verdict that the patent was valid and infringed. First, the Federal Circuit rejected LifeCell's contention that it could not be liable for direct infringement because the surgeons implanting the grafts were the ones who ultimately determined whether the plasticizers were removed. According to the Federal Circuit, non-removal was the default state of LifeCell's product such that the products infringed without any action by a third party. Second, the Federal Circuit rejected LifeCell's arguments that the patent was invalid as indefinite. The court rejected LifeCell's contention that the claims improperly combined an apparatus claim with a method claim using that apparatus. Instead, the court held that the non-removal limitation defined a property of the plasticizer instead of any use of it. With respect to anticipation and obviousness, the court noted that the '200 patent had not been anticipated by the prior art and was not obvious since none of the prior art disclosed a "plasticized soft tissue graft."

L.A. Biomedical Research Institute at Harbor-UCLA Med. Ctr. v. Eli Lilly & Co.,
849 F.3d 1049 (Fed. Cir. 2017)

In this appeal from the PTAB, the Federal Circuit found that the PTAB incorrectly invalidated a challenged patent on treating a condition related to erectile dysfunction. The phrase, "an individual with at least one of penile tunical fibrosis and corporal tissue



fibrosis,” in a patent claiming a method of “arresting or regressing” a condition known as penile fibrosis, could only refer to an individual with those conditions because erectile dysfunction could not be equated with tunical and corporal tissue fibrosis. Takeaway: a broadest reasonable interpretation of a patent claiming to treat a particular condition should not encompass symptoms not necessarily associated with that condition.

U.S. Patent No. 8,133,903 claims a method of “arresting or regressing” penile fibrosis. The Los Angeles Biomedical Research Institute at Harbor-UCLA Medical Center (LAB) filed an infringement action against Lilly, alleging that Lilly’s marketing of the drug Cialis induced infringement of the patent. Lilly petitioned for IPR of the patent on the grounds that LAB’s claims were unpatentable as obvious. In the IPR proceedings, the PTAB construed the phrase “an individual with at least one of penile tunical fibrosis and corporal tissue fibrosis” to mean “an individual hav[ing] symptoms that may be associated with penile fibrosis, such as [erectile dysfunction], but not that the patient be specifically diagnosed as having penile tunical fibrosis or corporal tissue fibrosis.” The PTAB then relied upon three prior art references to determine the patent to be obvious.

The Federal Circuit held that the PTAB’s construction of the phrase to be incorrect. The court held that because erectile dysfunction may have causes other than penile fibrosis, and because penile fibrosis does not necessarily result in erectile dysfunction, the PTAB’s construction read that limitation out of the claim.

In light of the PTAB’s erroneous claim construction, the Federal Circuit held that the PTAB’s obviousness determination was based on insufficient factual findings. The PTAB did not make factual findings in the context of the proper claim construction and did not make factual findings as to whether there was a reason to combine prior art references to treat penile fibrosis and whether a person of ordinary skill in the art would have had a reasonable expectation of success from such a combination. The Federal Circuit thus vacated the PTAB’s order and remanded the case for further proceedings.

Judge Newman concurred with the majority’s discussion of the patent and the prior art, but dissented from the vacate and remand judgment. Judge Newman argued that, “[o]n this record, preponderant evidence is on the side of obviousness,” and, therefore, it was not necessary to remand the proceeding back to the PTAB.

***Lyda v. CBS Corp.*,**
838 F.3d 1331 (Fed. Cir. 2016)

The Federal Circuit held that Form 18 does not apply to a claim of joint patent infringement, affirming the district court’s finding that Lyda’s Amended Complaint failed to meet the pleading standard established in *Bell Atlantic Corporation v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009).

Edwin Lyda was the named inventor on two patents which involved the use of live voting by the audience during game shows and reality television. He sued CBS Corporation and CBS Interactive (collectively, “CBS”) for patent infringement, alleging that through allowing viewers of the show “Big Brother” to use their mobile devices to vote and

influence aspects of the show, CBS had violated several claims in his patents. Part of Lyda's claims were also predicated on the fact that CBS hired an independent contractor to test out this voting system prior to its use during live broadcasts. CBS moved to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(6), asserting that Lyda failed to state a claim for which relief could be granted, and the district court granted CBS's motion. The district court reasoned that Lyda's complaint was unclear regarding his theory of liability, but that the complaint seemed to implicate a theory of joint infringement based on the notion that CBS Corporation was liable for CBS Interactive hiring contractors to test the voting system it would use during the show. The district court concluded that even under the lesser pleading standard under Form 18—a form provided for in the pre-December 2015 Federal Rules of Civil Procedure that determined the pleading standard, if applicable, at the time the Amended Complaint was filed—Lyda's allegations were too vague to articulate a claim for relief.

Under Second Circuit law, a court must determine if the Amended Complaint alleged "sufficient fact, taken as true, to state a plausible claim for relief." Applying regional circuit law, the Federal Circuit held that because proving a patent violation under a theory of joint infringement requires proving more elements than those included in Form 18, the Form 18 pleading standard was not applicable to an allegation of joint patent infringement. Thus, the court held, Lyda was required to meet the more stringent pleading standard established in *Twombly/Iqbal*.

Under this standard, Lyda's Amended Complaint was required to plead sufficient facts to allow a reasonable inference that all steps of his patented methods were preformed and either (1) that CBS Corporation or CBS Interactive exercised the requisite "direction or control" over the other's performance or (2) that the actors formed a joint enterprise to perform the steps of the patented method. The Federal Circuit held that Lyda's Amended Complaint failed to meet that standard because (1) he did not allege any facts to support the notion that CBS Interactive directed or controlled its independent contractors, (2) he did not allege any facts relating to how or if the independent contractors controlled or directed third parties to vote, thereby violating the patents, and (3) he failed to allege any relationship between CBS and the unnamed third parties.

***Mass. Inst. of Tech. v. Shire Pharm., Inc.*,**
839 F.3d 1111 (Fed. Cir. 2016)

Shire Pharmaceuticals appealed from the district court's (1) claim construction of "vascularized organ tissue" and "cells derived from vascularized tissue" to include skin, and (2) determination that the term "three-dimensional" is not indefinite under 35 U.S.C. § 112 and its construction of the term "three-dimensional scaffold." The Federal Circuit affirmed the district court on all issues.

At issue were the '193 and '830 patents, both of which concerned scaffolding for growing cells in vitro to produce organ tissues in vivo. Shire first argued that passages in the prosecution history demonstrated prosecution disclaimer by M.I.T., and thus the terms "vascularized organ tissue" should be construed to exclude skin as an organ—that is, "vascularized organ tissue" does not encompass skin tissue. Shire also argued that "cells



derived from vascularized tissue” should be construed as limited to parenchymal cells and bone forming cells, excluding non-parenchymal cells.

The Federal Circuit, however, held that Shire had failed to meet its burden of demonstrating a “clear and unmistakable” disclaimer that would have been evident to one skilled in the art, and thus prosecution disclaimer did not apply. The court reasoned that the statements Shire relied on were presented for a different claim containing different limitations. Specifically, M.I.T. had shifted strategy in response to multiple prior art rejections, and so many of the statements that Shire cited were made when the term in dispute was not present. Therefore the Federal Circuit affirmed the district court’s claim construction of the terms “vascularized organ tissue” and “cells derived from vascularized tissue.”

Second, Shire asserted that the term “three-dimensional scaffold” was indefinite because the intrinsic record provided no guidance as to its meaning. The district court interpreted the term “three dimensional” according to its ordinary meaning, confirmed by dictionary definitions. Shire argued that the dictionaries were “from the present day and not technical in nature,” but the Federal Circuit found that Shire’s expert’s opinion regarding the term’s ordinary meaning was also consistent with how the district court construed the term. The Federal Circuit thus affirmed the district court’s determination that the term “three-dimensional scaffold” was not indefinite, and adopted its claim construction of the term.

Judge O’Malley concurred, arguing that appeals such as this one—where damages and willfulness have not yet been determined—are interlocutory, not final. Judge O’Malley reiterated her dissent in *Robert Bosch, LLC v. Pylon Manufacturing Corp.*, 719 F.3d 1305 (Fed. Cir. 2013) (en banc), where the court reasoned that damages and willfulness determinations are sufficiently “ministerial” to constitute no more than an “accounting.” That rule, according to Judge O’Malley, results in “piecemeal review,” potentially leading to multiple appeals and remands.

McRO, Inc. v. Bandai Namco Games America Inc.,
837 F.3d 1299 (Fed. Cir. 2016)

The Federal Circuit reversed a district court’s holding that asserted claims were not patent-eligible under 35 U.S.C. § 101. Takeaway: a process that uses a combined order of specific rules to achieve an improved technological result is not necessarily directed towards an abstract concept.

The patents at issue in this case, the ’576 patent and the ’278 patent, related to a method of automating 3D animation for speech patterns by means of subsequences of phonemes, timings, and morph weight sets. In the prior art, animators had manually animated speech on a computer. The patents improved on the prior art by creating a process that automated the animator’s task and produced more realistic speech.

McRO sued numerous video game developers and publishers for infringement. The defendants moved for judgment on the pleadings that the claims were ineligible under Section 101. The district court granted the motion, noting that, although the claims on their



face did not seem targeted towards an abstract idea, the claims preempted all rules reaching the desired end result and thus were too broad to survive under Section 101.

On appeal, the Federal Circuit reversed, relying on *Alice*, as well as *Flook* and *Diehr*. According to the court, *Flook* stands for the notion that one cannot circumvent the abstract idea limitation by confining the use of an idea to a particular technological environment. The court stated that *Diehr*, in contrast, stands for the notion that claims that do something more than merely implement an idea on the medium of a computer—claims that, for example, improve an existing technological process—may be patent eligible.

Applying *Alice*, *Flook*, and *Diehr*, the Federal Circuit held that the patents claimed patent-eligible subject matter. The court considered the claims as an ordered combination of specific rules creating a result that, although not tangible, constituted an improved technological process. The Federal Circuit further noted that this ordered combination did not unduly preempt the field of automated 3D animation of speech. The limitations in the claims prevented the patent from claiming all processes for achieving this result. The claims instead covered the narrower genus of rules relying on subsequences of phonemes, timing, and morph weight sets. Because the court found that the claims were directed to patent eligible subject matter, it did not reach step two of the patent-eligibility analysis.

***Medgraph, Inc. v. Medtronic, Inc.*,**
843 F.3d 942 (Fed. Cir. 2016)

In this appeal from the Western District of New York, the Federal Circuit affirmed summary judgment of noninfringement regarding method and systems claims related to the collection and storage of patient health data. Takeaway: even after the Federal Circuit’s *en banc* decision in *Akamai v. Limelight*, a patentee seeking to establish direct infringement by multiple actors must still provide evidence of actual infringement of each claim limitation.

Medgraph, Inc. filed suit against Medtronic, Inc. for infringing two patents (U.S. Patent Nos. 5,974, 124 and 6,122,351) directed to the collection and storage of patient health data in a manner that allegedly improved diagnosis and treatment. Medtronic argued that it did not infringe Medgraph’s method claims because it did not perform all steps of the method claims. Rather, third parties (in particular, the patient or doctor using Medtronic’s system) performed some of the steps of the asserted claims. Because Medtronic had not performed each step of the claimed methods, it argued it could not be liable for infringement.

Before the district court issued summary judgment, the Federal Circuit decided *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 786 F.3d 899 (Fed. Cir. 2015) (“*Akamai IV*”), holding that the acts of third parties could only be attributed to another for purposes of infringement where the third party was an agent of the principal infringer or contractually obligated to the principal infringer to perform the claimed steps. Based on *Akamai IV*, the district court granted summary judgment of noninfringement because there had been no “showing that Medtronic itself directly infringed the method claims or that it acted as a ‘mastermind’ by controlling or directing anyone else’s direct infringement.” But, shortly thereafter, the *en banc* Federal Circuit decided *Akamai Technologies, Inc. v.*

Limelight Networks, Inc., 797 F.3d 1020 (Fed. Cir. 2015) (per curiam) (“*Akamai V*”), broadening the circumstances in which actions by third parties may be attributed to an accused infringer. Under *Akamai V*, an accused infringer is liable not only when an agency or contractual relationship exists, but also “when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance.”

On appeal, Medgraph argued that, given the change in law, the district court’s order should be vacated and the issue remanded for proceedings in accordance with *Akamai V*. But the Federal Circuit disagreed, holding that Medgraph had identified no possible basis on which it could succeed in showing that Medtronic directly infringed the method claims, even under the *Akamai V* standard. On remand, Medgraph would have had to show that Medtronic conditioned patients’ or doctors’ use of its system upon their performance of the claimed method steps and established the manner or timing of that performance. Since Medgraph had not identified any evidence that would permit attribution of the patient- and doctor-performed steps to Medtronic under the *Akamai V* standard, the Federal Circuit affirmed noninfringement.

Medgraph also argued that the district court erred in granting judgment of noninfringement on a corresponding system claim. Claim 16 of the ’124 patent claimed a system with computer “and” telephone capabilities for receiving and transmitting data. The district court construed “and” to take its ordinary conjunctive meaning instead of as a disjunctive “or.” Thus, only a system with both computer and telephone capabilities fell within the claim scope, which excluded the accused Medtronic products.

The Federal Circuit upheld the district court’s ruling, holding that “and” should take its plain and ordinary meaning in these claims. The court distinguished those cases in which it had previously construed “and” to mean “or” on the ground that, in those cases, the specification compelled a disjunctive construction as “and” conjoined mutually exclusive possibilities. In this case, however, the written description did not “compel a disjunctive construction,” so the term should be given its plain and ordinary meaning.

***Medicines Co. v. Mylan, Inc.*,**
853 F.3d 1296 (Fed. Cir. 2017)

In an appeal from the Northern District of Illinois, the Federal Circuit affirmed summary judgment of noninfringement as to one patent and reversed a finding of infringement as to another. Takeaway: (1) prosecution history, or statements made during prosecution, may be used to narrow a term during claim construction; and (2) a patentee should be careful when defining terms throughout the patent, as a term that is undefined may be construed broadly, even if it is characterized in a specific way.

Medicines Company owns two patents, U.S. Patent Nos. 7,582,727 and 7,598,343, that claim inventions “directed to minimizing impurities in batches of bivalirudin,” used to prevent blood clots. Each patent contains a claim limitation that the batches would have a “maximum impurity level of Asp9” that would “not exceed about 0.6%.” The Federal Circuit referred to this as the “batches limitation.” In 2010, Mylan Inc. submitted an

Abbreviated New Drug Application (“ANDA”), stating that “it would limit the Asp9 level of its generic product to less than 2.0 percent.” Medicines filed suit alleging infringement of its patents and Mylan counterclaimed alleging invalidity. The district court granted summary judgment of noninfringement regarding the ’343 patent, but after a bench trial, found infringement on the ’727 patent. The district court’s decision rested on the findings that ’727 patent did not contain an “efficient mixing” limitation, but that the ’343 patent did and Mylan did not satisfy the limitation.

The Federal Circuit first addressed what was required as part of the “batches limitation” under the ’727 patent. The panel noted that the limitation could not be literally construed to cover batches that have Asp9 levels that “do not exceed about 0.6%,” as this would render claims of the patent invalid, since Medicines produced batches with levels below 0.6% prior to its patent. Thus, the court concluded that the limitation must require a “process that achieves consistency between batches produced from the ‘same compounding process.’” In rejecting Medicines’ argument that the limitation is not limited to a compounding process, the court referenced the prosecution history and the specifications of the patents. Specifically, the court noted several instances in which Medicines referred to its invention as embodying a “process” for mixing. Additionally, the specification of the ’727 patent refers to the “compounding process” of the invention. Therefore, the Federal Circuit concluded that the “batches limitation” required a compounding process that attained batch consistency.

Second, the panel addressed exactly what the compounding process entailed. In referring to both patents’ specifications, the Federal Circuit held that the compounding process must use “efficient mixing.” Medicines attempted to argue that the patents’ common specification already defined this term, but the panel rejected this argument because it was not clearly defined using “the linguistic formula” demonstrated throughout Medicines’ patent. Further, Medicines’ definition only defined the results obtained from “efficient mixing” and not the process itself. Since functional limitations cannot be overly broad so as to expand the scope of protection beyond that which is justified, the panel held that Medicines’ construction was impermissible. As such, the Federal Circuit found that Mylan’s compounding process differed from Medicines’ and, as such, did not infringe on either the ’727 or ’343 patent.

Meiresonne v. Google, Inc.,
849 F.3d 1379 (Fed. Cir. 2017)

In this appeal from the PTAB, the Federal Circuit found that substantial evidence supported the PTAB’s conclusion that prior art did not teach away from a patent which claimed the use of descriptive text with a rollover viewing area in the user interface of an internet search engine. Takeaway: a reference that merely expresses a general preference for an alternate invention but does not discredit, criticize or otherwise discourage the claimed invention may be found not to teach away from the claimed invention.

Google filed a petition for IPR of Meiresonne’s patent. The PTAB found the claims were unpatentable as obvious over prior art. Meiresonne’s patent claimed an Internet search engine for identifying suppliers of goods or services. The challenged claims described a



website comprising (1) links to supplier websites, (2) written descriptions of website content, and (3) “a rollover window” that displays additional information when the user’s cursor is near a corresponding link. There was no dispute that each of the claim limitations was disclosed in the references cited in the rejection.

The sole issue before the court was whether two references taught away from the claimed invention. One reference taught links and text descriptions and one reference taught links and text descriptions. The patentee argued that the references taught away from the combination of descriptive text and a rollover viewing area because they disparage and criticize the use of descriptive text. For example, he argued that the reference described the use of descriptive text as “cursory, if not cryptic” constituted “abandoning and replacing textual descriptions with graphical previews.”

The Federal Circuit found that describing text as “cursory, if not cryptic” does “not automatically convert the reference to one that teaches away from combining text descriptions with a rollover window.” In particular, the court explained that “the references do not say or imply that text descriptions are ‘unreliable,’ ‘misleading,’ ‘wrong,’ or ‘inaccurate,’ which might lead one of ordinary skill in the art to discard text descriptions completely.” Furthermore, neither reference indicated that the combination of descriptive text in a rollover viewing area would detract from the goal of using it to search faster. As such, the Federal Circuit held that the PTAB’s determination was supported by substantial evidence.

Mentor Graphics Corp. v. EVE-USA, Inc.,
851 F.3d 1275 (Fed. Cir. 2017)

In a complex, multi-patent dispute, the Federal Circuit upheld a \$36 million lost profits damages verdict against Synopsys Inc., for infringement by EVE-USA Inc., which Synopsys acquired. Takeaways: (1) assignor estoppel remains a viable defense following the Supreme Court’s decision in *Lear, Inc. v. Adkins*; and (2) in a lost profits analysis, further apportionment down to the patented functionality is not required once it is determined that demand for the accused product is attributable to the patented feature and that noninfringing alternatives do not exist.

Mentor Graphics Corp. asserted U.S. Patent Nos. 6,240,376, 6,947,882, 6,009,531, and 5,649,176 against EVE, a simulation/emulation software company that was acquired by Synopsys, Inc. EVE had been founded by former software engineers at from Mentor itself, and EVE initially licensed some of Mentor’s patents (including those asserted against EVE in this case). EVE’s principals were also the inventors on some of the asserted patents. But EVE’s license was terminated as a result of the Synopsys acquisition, thus resulting in the infringement claims at issue. For its part, Synopsys asserted counterclaims of its own against Mentor for alleged infringement of U.S. Patent Nos. 6,132,109 and 7,069,526.

On summary judgment, the district court held that Synopsys’s ’109 patent was invalid as indefinite and that its ’526 patent lacked patent-eligible subject matter. The court also held that Mentor’s asserted ’882 patent was invalid for lack of written description, and that its



allegations related to the '531 and '176 patents were barred by claim preclusion. Thus, only the '376 patent remained at issue for trial.

Regarding the '376 patent, the court held that assignor estoppel precluded Synopsys from challenging validity at trial. The court also, however, precluded Mentor from arguing willful infringement. The jury subsequently found that Synopsys infringed the '376 patent and awarded Mentor \$36 million in lost profits damages.

Given the complex nature of the litigation, the Federal Circuit addressed a multitude of issues on appeal. First, regarding whether assignor estoppel preempted Synopsys's invalidity defenses against the '376 patent, the inventors of the '376 patent had founded and continued to run defendant EVE, which was the entity directly responsible for the alleged infringement. But Synopsys asserted that the Supreme Court had abolished the doctrine of assignor estoppel in *Lear, Inc. v. Adkins*, 395 U.S. 653, 89 (1969), the case relied on by the Supreme Court in *MedImmune LLC v. Genentech, Inc.*, 549 U.S. 118 (2007), to also abrogate licensee estoppel. The Federal Circuit panel, however, disagreed based on its own precedent, holding that assignor estoppel had survived *Lear*. Thus, the panel affirmed the lower court's estoppel ruling. The panel also found substantial evidence to support the jury's infringement finding.

Regarding the \$36 million lost profits award, Synopsys argued that the award failed to apportion the lost profits down to the patentee's inventive contribution, but rather awarded all profits related to the sale as a whole. The panel disagreed and upheld the award. To obtain lost profits in the first instance, the patented feature must be the basis for the purchasing decision and no other non-infringing options can be available as alternatives to the lost sale. According to the panel, these considerations sufficiently address the apportionment need in the context of lost profits. Further apportionment of lost profits were not required once it is shown that the lost sale would have been made "but for" the infringement. (In this case, whether the patented feature was the basis of the sale was not appealed, and the parties did not dispute that they were the only players in the particular market.)

The panel, however, reversed the district court's limitation on Mentor arguing willful infringement. The district court's decision was based its view that Mentor relied exclusively on post-filing conduct to support its allegations and did not seek a preliminary injunction. But the panel held that Mentor's basis for willfulness included pre-suit facts, and that failure to seek a preliminary injunction did not preempt asserting willfulness. Thus, proceedings on the '376 patent were remanded for findings concerning willfulness.

The panel also agreed with Mentor regarding whether claim preclusion estopped it from asserting the '531 and '176 patents, which Mentor had previously asserted against EVE ten years earlier. That litigation resulted in the above-noted license, which was subsequently terminated. The panel reversed the lower court ruling on the basis that the presently alleged infringement is predicated on acts that post-dated the prior litigation and settlement, namely activity that came after the license terminated. Thus, the panel remanded proceedings on Mentor's '531 and '176 patents back to the district court.



The panel also reversed the district court's finding that Mentor's '882 patent lacked written description, noting that the originally filed claims—deemed part of the original specification—contained the claim language that the court found unsupported. As such, there was evidence that the applicants had in mind the invention as claimed at the time of filing. Thus, the '882 patent was also remanded.

The panel also reversed the district court's indefiniteness holding as to Synopsys's '109 patent, and upheld the district court's determination that Synopsys's '526 patent claimed ineligible subject matter.

Metalcraft of Mayville v. The Toro Co.,
848 F.3d 1358 (Fed. Cir. 2017)

The Federal Circuit affirmed a decision from the Eastern District of Wisconsin, granting a patentee's motion for a preliminary injunction in an infringement suit. Metalcraft of Mayville brought suit against lawnmower manufacturer The Toro Company and its subsidiary, Exmark Manufacturing Co., alleging infringement of a patent for a suspended operator platform for ride-on lawnmowers. The district court granted a preliminary injunction barring the defendants from making, using, or selling lawnmowers with platform suspension systems infringing Metalcraft's patent. Toro appealed the grant of the preliminary injunction.

Applying both Seventh Circuit and Federal Circuit law, the Federal Circuit reviewed the district court's grant of a preliminary injunction for abuse of discretion and affirmed. The Federal Circuit first determined that the district court did not err in rejecting Toro's noninfringement defense and finding that Metalcraft was likely to succeed on the infringement issue. Rejecting Toro's claim construction argument, the court found that the district court correctly determined that the claims at issue did not require steering controls to be mounted on the suspended operator platform.

Next, the Federal Circuit upheld the district court's finding that Metalcraft's patent was not invalid for obviousness. Toro had argued that the patent was invalid because a person with ordinary skill in the art would have been motivated to combine two prior art references, but the district court found no evidence of motivation to combine. The Federal Circuit found no clear error in this determination, for, as the district court reasoned, merely pointing out that elements of an invention were independently known does not suffice to demonstrate motivation to combine. The Federal Circuit did not address the issue of whether prior art anticipates two of the claims, because demonstrating a likelihood of success in proving infringement of one claim was sufficient for preliminary injunction purposes.

The Federal Circuit next upheld the district court's determination that Metalcraft would be likely to suffer irreparable harm in the absence of a preliminary injunction. Because the district court was not obligated to discuss every fact alleged by Toro, and because the loss of customers was likely to be far-reaching, the district court did not clearly err in making this finding.



The Federal Circuit next reviewed the district court's finding that the balance of equities and the public interest favored granting the injunction and found no abuse of discretion. Finally, the Circuit found that the injunction as granted was not overly broad or vague. The Federal Circuit therefore upheld the grant of injunctive relief.

Millennium Pharmaceuticals, Inc. v. Sandoz, Inc.,
862 F.3d 1356 (Fed. Cir. 2017)

In this appeal from the District of Delaware, the Federal Circuit reversed the district court's finding that the asserted patent was invalid as obvious. Takeaway: claims may be obvious if they are the inherent or "natural" result of an allegedly obvious process.

Millennium Pharmaceuticals, Inc. is the exclusive licensee of U.S. Patent No. 6,713,446, issued March 30, 2004 and assigned to the United States. Millennium developed a product, known by the brand name Velcade, for treatment of oncology disease. The Sandoz Appellees filed abbreviated new drug applications ("ANDAs"), wherein they admitted infringement and sought to invalidate various claims of the patent, and the district court issued an opinion invalidating the asserted claims as obvious. Around the same time, Millennium also filed suit against the Apotex and Teva Appellees who filed ANDAs related to the '446 patent based on collateral estoppel arising from the invalidity ruling in the Sandoz-Millennium action.

On review, a unanimous panel found that the district court erred in holding the asserted claims invalid. Specifically, the district court found that the claims were obvious because they were the inherent or "natural" result of an allegedly obvious process, in this case lyophilizing bortezomib in the presence of the bulking agent mannitol. The district court did not find that the prior art taught or suggested making the claimed new compound by any method, but rather that court held that the "natural result" of a chemical procedure is inherent in the procedure, and as a result, the product thereof "would have been obvious to a person of ordinary skill."

The Federal Circuit disagreed, finding that the Sandoz Appellees did not identify any reference or combination of references that show or suggest a reason to make the claimed, new compound. In particular, they did not identify any references which suggest that the claimed new compound would have the long-sought properties that make it effective for use in treating certain cancers. In reaching its decision, the Federal Circuit relied upon past precedent holding that "[t]he mere fact that a certain thing may result from a given set of circumstances is not sufficient to render the result inherent."

The Federal Circuit therefore reversed the finding of invalidity in the Sandoz action, and entered judgment in favor of Millennium as to the Sandoz defendants. The parties agreed that if the judgment in the Sandoz case were reversed, the dismissal of the litigation between Millennium, Apotex, and Teva would be vacated and remanded.



MPHJ Tech. Investments, LLC v. Ricoh Americas Corp.,
847 F.3d 1363 (Fed. Cir. 2017)

In this appeal from the PTAB, a divided Federal Circuit affirmed that claims in MPHJ's patent directed to a virtual copier were anticipated by prior art. The Federal Circuit agreed with the broad claim construction adopted by the PTAB in finding anticipation. In doing so, it rejected MPHJ's narrow construction that was based on a definition found in its provisional application that was later omitted in the final non-provisional application. Takeaway: terms and definitions in a provisional application can contribute to understanding the claims, but the deletion of material may be viewed as evidence that the removed material was not intended to limit the claims.

Patent challengers Ricoh Americas Corporation, Xerox Corporation, and Lexmark International, Inc. requested IPR seeking to invalidate MPHJ's patent. The patent at issue related to a virtual copier system that enabled a user to scan documents and send them to an email address as a PDF file. Relying on three prior art references, the patent challengers argued that the patent claims were anticipated. The allegedly anticipating references described a two-step process in which a user first scanned a document then transmitted it as a second step. The PTAB agreed with challengers. MPHJ appealed to the Federal Circuit, arguing that its patent required scanning and email to be done in a single step and that PTAB wrongly construed the claims to mean it could be done in separate steps.

The Federal Circuit affirmed the decision of the PTAB. MPHJ argued that language in the provisional patent application states that the process involves one step, thus claims in the non-provisional application could so be limited to overcome the prior art. It further argued that while this language was omitted in the later filed non-provisional, it was part of the prosecution history and could be used to limit the claims. The Federal Circuit agreed with MPHJ that the specification of the provisional application was instructive, but interpreted it to reach a different result. The court held that "a person of skill in this field would deem the removal of these limiting clauses to be significant."

Judge O'Malley concurred in part and dissented in part, agreeing that four of the patent's eight claims are invalid but arguing that four should have been found to be valid. In her opinion, the patent's incorporation of the provisional application by reference "did the opposite of deleting any references to a single-step operation."

Multilayer Stretch Cling Film Holdings, Inc. v. Berry Plastics Corp.,
831 F.3d 1350 (Fed. Cir. 2016)

In this litigation over technology for stretch wrap films, the Federal Circuit affirmed the district court's determination that one asserted claim was invalid, as well as the district court's denial of Rule 11 sanctions against Multilayer, but reversed the district court's construction of two other claims. Takeaway: Markush groups are generally closed to un-recited elements, but may be construed to cover combinations of the recited elements.

Multilayer held a patent describing multilayered thermoplastic stretch wrap films. Specifically, Multilayer's films are made up of seven individual layers, with the external



layers being similar, and the five internal layers with composition varying from those of its neighbors. Multilayer sued Berry alleging infringement of the patent. During claim construction, the parties mainly disputed claims 1 and 28's recitation of five inner layers in Markush format, each layer being "selected from the group consisting of" four resins. The district court construed this term to require that each inner layer to consist of one of the four listed resins and no other resin, nor any combination of resins. But claim 10, which depends from claim 1, required one of the inner layers to be made of a resin not included in four resins recited in claim 1. As a result, the district court found claim 10 to be invalid because it was impermissibly broader than claim 1.

On appeal, the Federal Circuit agreed with the district court that the Markush group was closed to additional resins, due to the use of the phrase "consists of" within the claims. As a result, the Federal Circuit affirmed the district court's invalidity holding for claim 10. The Federal Circuit further considered whether the Markush group found in claims 1 and 28 was closed to mixtures or blends of the four listed resins as the district court had decided. The court determined the district court had erred, and that a layer could still "consist" of the four listed resins, even if a layer was actually made up of a mixture of two or more of the resins. While there was a presumption that the Markush group would be closed to combinations, the court explained that, in this case, the intrinsic evidence established that such a blend would be encompassed by the claims and the specification unequivocally described combinations of the claimed resins.

Judge Taranto dissented in part, and would have found that resins absent from the Markush group listed in claims 1 and 28 should not be excluded. Judge Taranto explained that, while the issue was a "close call," the language was not clear enough to determine the exact relationship between layers and resins listed. The language required that "each layer" be selected from the group of resins, rather than each individual resin be selected. Due to the ambiguity of the plain language, Judge Taranto explained the specification and dependent claims should have been considered, and both provided strong support for not excluding resins absent from the Markush group.

Murata Mach. USA v. Daifuku Co.,
830 F.3d 1357 (Fed. Cir. 2016)

In an interlocutory appeal challenging both the district court's refusal of Murata's motion to lift a stay and its denial of Murata's request for preliminary injunction, the Federal Circuit affirmed as to the stay and vacated and remanded the order with respect to the preliminary injunction.

Murata sued Daifuku, its competitor, for infringement of three patents. A year later, Murata moved to amend the complaint to allege infringement of two additional patents. Daifuku petitioned for IPR of the three initial patents and moved to stay the proceedings until the review had been completed. Murata moved to lift the stay on the two additional patents. While that motion was pending, Daifuku filed IPR petitions on the two additional patents, and Murata moved for a preliminary injunction. The district court denied Murata's motion to lift the stay, citing Murata's previous statements that litigating the patents



separately would make “no sense.” The district court also denied the motion for preliminary injunction, stating it was untimely because the stay had not been lifted.

The Federal Circuit held that it had jurisdiction to hear an interlocutory appeal in which a district court has decided whether to stay a litigation if the decision is issued in the same order as a decision on a preliminary injunction, as this one was. The Federal Circuit further held that the district court did not err in refusing to lift the stay. When determining whether or not a stay should be lifted, courts examine the stay under a three-factor test, and the district court also referring to a fourth factor, examining the potential of the stay to reduce the burden of litigation on the parties and the court. The Federal Circuit held that the four-factor variant of the test was not an abuse of discretion because a district court has broad discretion in managing their dockets, including the power to grant a stay of proceedings.

The Federal Circuit, however, held that the district court erred in summarily denying appellee’s motion for preliminary injunction. The court held that when a court denies a preliminary injunction, it must provide adequate reasoning for its decision beyond simply noting that the case had been stayed. Citing Fed. R. Civ. P. 52(a)(2), the Federal Circuit stated that the cursory treatment of the preliminary injunction motion did not allow for effective appellate review because the court could not determine whether there had been an abuse of discretion without knowing the reasoning behind the decision. As such, the Federal Circuit vacated the district court’s order and remanded to the district court to determine whether to grant a preliminary injunction motion and to provide sufficient reasoning in its decision.

Mylan Institutional LLC v. Aurobindo Pharma Ltd.,
857 F.3d 858 (Fed. Cir. 2017)

The Federal Circuit modified the decision of a district court in the Eastern District of Texas when it affirmed the district court’s preliminary injunction on the basis of a doctrine of equivalents theory as to one patent-in-suit. The court reversed the injunction as to the other two patents-in-suit. The case concerned patents used to make a dye used for lymphatic system mapping: two process patents and one chemical composition patent. The court held that the district court erred in its analysis of the process patents by misapplying the function-way-result (FWR) test. Takeaway: in determining infringement under the doctrine of equivalents, the function-way-result test is not well suited for medical chemical compound patents because the “function” and “way” limitations often intersect; for chemical compounds it is more suitable to test whether the accused product is substantially different from what is patented.

In evaluating patentee licensor Mylan’s likelihood of success on its infringement claim under the doctrine of equivalents, the Federal Circuit noted that the district court correctly identified the two available tests: the “function-way-result” (“FWR”) and “insubstantial differences” test. Under the FWR test, the doctrine of equivalents is satisfied if the function of the accused compound performs substantially the same function in substantially the same way to obtain the same result. The “insubstantial differences” test turns on whether the patented compound (or process) is substantially different from the accused. The Federal Circuit noted the Supreme Court’s holding in *Warner-Jenkinson Co. v. Hilton*

Davis Chemical Co., 520 U.S. 17, 40 (1997), that the “the suitability of the two tests may vary, depending on the circumstances of the case.” The court acknowledged the difficulty of applying the doctrine of equivalents to chemical compounds (with many chemical substitutes) and concluded that the district court erred because its FWR test was “flawed by being unduly truncated and hence incomplete.”

The Federal Circuit explained that the chemical compounds produce unique analytical difficulties. The court stated, “Especially when evaluating an equivalents dispute dealing with chemical compositions having many components, chemical compounds with many substituents (which are usually claimed as separate limitations), and those having a medical or biological use, it is often not clear what the ‘function’ or ‘way’ is for each claim limitation. How a particular component of a composition, or substituent of a compound, functions in a human or animal body, or in what way, may not be known or even knowable (although, as technology evolves, that may change).” For these reasons, the court stated that the insubstantial differences test may be more appropriate for medical chemical compounds.

Despite these inherent difficulties, the district court relied on only a FWR test for the chemical compound process patents. The process patents used silver oxide to convert isoleuco acid to isosulfan blue (“ISB”). Aurobindo’s product used a different oxidizing agent (manganese dioxide, in lieu of silver oxide) and other acids to yield ISB. The Federal Circuit took issue with the district court’s inadequate consideration of the different oxidizers because the patents recite a method for preparing ISB by using a specific oxidizer. “[T]he court failed to consider whether the key reagent in the process, manganese dioxide, was substantially different from the claimed reagent, silver oxide, and hence whether the substitution for, and omission of, silver oxide left the accused infringer outside of the bounds of the claims.” The court advised the district court, on remand, to consider whether the FWR or substantial differences test is more appropriate, but nonetheless affirmed the preliminary injunction on the remaining chemical composition patent.

***New World Int’l Inc. v. Ford Glob. Techs., LLC*,**
859 F.3d 1032 (Fed. Cir. 2017)

The Federal Circuit affirmed the district court’s decision to dismiss a lawsuit seeking a declaratory judgment for lack of personal jurisdiction. An undivided panel held that the licensing agreement between Ford Global Technologies, LLC (“FGTL”), which holds the patents for Ford Motor Company, and LKQ Corporation (LKQ) was insufficient to grant specific personal jurisdiction over FGTL, where FGTL’s only other contacts in the forum were cease and desist letters sent to the appellant, New World International, Inc. and National Auto Parts, Inc. (“New World”). Takeaway: licensing agreements in which the licensor does not retain an obligation to enforce or defend the patent on behalf of the patentee are insufficient to establish personal jurisdiction in the licensor’s forum, even in conjunction with cease and desist letters to an entity residing in the forum.

The case arose from a suit filed by New World International, Inc. seeking an order stating that it did not infringe on the FGTL design patents for Ford’s F-150 pickup truck. Previously, FGTL had sent New World a series of cease and desist letters, advising it that



it was infringing on patents owned by FGTL and leased exclusively to LKQ. In January 2015, FGTL sued New World for infringing nine patents, design patents '299 and '685 among them. In an amended complaint, FGTL dropped the '299 and '685 claims. In April 2015, New World sued FGTL—which is incorporated in Delaware and headquartered in Michigan—in the Northern District of Texas for seeking a declaratory judgment of noninfringement and invalidity regarding the '299 and '685 patents.

The District Court for the Northern District of Texas dismissed the complaint for lack of personal jurisdiction. New World attempted to amend its complaint, but the district court refused the request as untimely. New World appealed.

The Federal Circuit concluded that New World had not shown that asserting specific personal jurisdiction over FGTL would be “reasonable and fair.” While FGTL’s cease and desist letters alone were insufficient to establish personal jurisdiction, they might be sufficient in conjunction with other activities, such as the granting of an exclusive license to a licensee that resides in or does business in the forum. However, the exclusive license in this case was insufficient to trigger a finding of personal jurisdiction.

New World argued that the exclusive license agreement constituted a continuing relationship between FGTL and LKQ and should trigger a finding of personal jurisdiction. According to the licensing agreement, LKQ had the obligation to notify FGTL of potential infringement claims against third parties. However, FGTL retained the right to determine what action to take, if any, so long as it did not “unreasonably refuse a request . . . to enforce the Ford Design Patents against allegedly-infringing use in conflict with LKQ’s rights under the License Agreement.” New World also argued that the licensing agreement’s indemnity provision was further proof of this relationship.

The court rejected these arguments, ultimately finding that FGTL did not have a meaningful obligation to defend the patents at the request of LKQ. The court noted that, under the contract, FGTL had full control over whether to enforce the patents, if at all. As to the indemnity provision, the court noted that it had never held that an indemnity provision alone was a sufficient basis for specific jurisdiction. It would be especially inappropriate to do so in this case, the court found, since the indemnity provision in question involved neither the enforcement nor the defense of LKQ’s patents.

The Federal Circuit also rejected New World’s argument that the district court’s refusal to allow it to amend its complaint was an abuse of discretion. New World’s request was not based on the discovery of new evidence or something similar, but rather on the fact that it had been incorrect in its belief that its initial complaint would be sufficient to establish jurisdiction. The court found that this did not constitute a good reason to allow an untimely amended complaint and that the district court did not commit an abuse of discretion when it refused to allow New World to amend its complaint.

NexLearn, LLC v. Allen Interactions, Inc.,
859 F.3d 1371 (Fed. Cir. 2017)

In this appeal from the District of Kansas, the Federal Circuit held that the defendant, Allen, did not have sufficient minimum contacts with the forum state to warrant specific personal jurisdiction in a patent infringement suit. Takeaways: (1) relevant contacts must occur after the issuance of the patent to support jurisdiction in an infringement claim; and (2) running a nationally available website and providing a free trial offer to a single state resident are too attenuated to establish personal jurisdiction.

NexLearn entered into a nondisclosure agreement with Allen in 2009, sharing confidential information about its social simulation software. Allen launched its own software, available via its website, when the agreement expired. NexLearn obtained a patent on the software in 2014 and brought an infringement suit against Allen's product in the District of Kansas. Allen, a Minnesota corporation, challenged personal jurisdiction based on a lack of minimum contacts with the forum. NexLearn attempted to demonstrate specific jurisdiction based on several alleged "contacts" Allen had in Kansas: (1) contract negotiations in Kansas before the patent issued; (2) the fact that Allen's website had Kansas as an option in its dropdown order menu; and (3) a NexLearn employee's attempt to purchase the Allen product in Kansas, causing NexLearn to be placed on a nationwide mass-mailing list and receive an offer for a free trial. The district court granted Allen's motion to dismiss for lack of personal jurisdiction.

On appeal, the Federal Circuit affirmed, although some of its reasoning differed from that of the district court. The Federal Circuit agreed that any contacts predating the issuance of the patent were not relevant for specific jurisdiction in an infringement claim. The court also agreed that Allen's website did not create sufficient contacts because the dropdown order menu contained all 50 states, and there was no evidence of it specifically targeting the Kansas market. The Federal Circuit disagreed with the district court's finding that the NexLearn employee's attempt to purchase Allen's product was not relevant because it was the result of the unilateral acts of the employee. The court found, however, that this contact alone was too attenuated to meet the minimum contacts threshold.

Nichia Corp. v. Everlight Americas, Inc.,
855 F.3d 1328 (Fed. Cir. 2017)

The Federal Circuit affirmed the district court's bench trial decision that Everlight Americas infringed three of Nichia Corporation's patents, that the asserted claims were not invalid, and that, nevertheless, Nichia was not entitled to a permanent injunction. Takeaway: even if a court finds infringement, a patentee must still demonstrate irreparable harm to be granted permanent injunctive relief.

The asserted patents, U.S. Patent Nos. 8,530,250, 7,432,589, and 7,462,870, disclosed package designs and methods of manufacturing LED devices. First, the Federal Circuit held that the district court properly construed the disputed '250 patent claim terms "lead" and "planar," and that under the claim construction, the district court correctly held that Everlight infringed the claims. The panel also affirmed the district court's holding that the



'250 patent was not invalid as obvious because a person of ordinary skill in the art would not have been motivated to combine two prior inventions into this design. The court held that the claims of the other two patents, the '870 and '598, were also infringed and not invalid.

Second, the Federal Circuit affirmed the district court's denial of a permanent injunction against Nichia. The district court denied Nichia's request for permanent injunctive relief because it found that Nichia had not shown it would suffer irreparable harm absent a permanent injunction and that remedies at law would be inadequate compensation. The Federal Circuit agreed, after considering the four *e-Bay* factors. In particular, the Federal Circuit held that because Nichia licensed its patent to competitors and failed to establish market competition, lost sales, and price erosion, it did not meet the burden of showing irreparable harm, and therefore was not entitled to a permanent injunction.

Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.,
851 F.3d 1270 (Fed. Cir. 2017)

The case arose from Broad Ocean's petition for IPR of Nidec Motor's patent covering a system controlling the torque of an electromagnetic motor, which the PTAB found anticipated. Nidec Motor Corp. appealed to the Federal Circuit, which found that the PTAB's decision was not supported by substantial evidence and reversed. Takeaway: in finding a patent anticipated, a court cannot fill in missing limitations simply because a skilled artisan would immediately envision them.

The PTAB found Nidec's patent to be anticipated by a patent assigned to Toyota. Nidec's patent required combining an IQr demand and dr-axis injection current to produce an IQdr demand which must be in a rotating frame of reference. The PTAB defined an IQdr demand defined as "a current demand that includes Q-and d-axis current demands." In comparison, Toyota's patent was based on three separate phase currents, Iu, Iv and Iw, in a stationary frame of reference to create an IQdr demand signal. The PTAB applied *Kennametal, Inc. v. Ingersoll Cutting Tool Co.*, 780 F.3d 1376, 1381 (Fed. Cir. 2015), to find that Nidec's patent was invalid as anticipated in view of Toyota's patent, even though the Toyota patent did not expressly disclose an IQdr demand. The PTAB interpreted *Kennametal* as allowing a court to find anticipation even when an art reference fails to disclose a claim element, as long as a skilled artisan reading the reference would be able to immediately envision the claimed arrangement.

The Federal Circuit held that the PTAB misapplied *Kennametal* in finding Nidec's patent anticipated. The court explained that *Kennametal* addressed "whether the disclosure of a limited number of combination possibilities discloses one of the possible combinations." The relevant question in light of *Kennametal*, thus, was whether the possible categories and combinations were so numerous that the exact limitation would not be immediately apparent to one of ordinary skill of art. *Kennametal*, the court clarified, "does not permit the PTAB to fill in missing limitations simply because a skilled artisan would immediately envision them." Accordingly, the Federal Circuit found that there was insufficient evidence to find that Toyota's patent anticipated Nidec's.



Nova Chems. Corp. (Canada) v. Dow Chem. Co.,
856 F.3d 1012 (Fed Cir. 2017)

In an equity action for relief from judgment due to fraud on the court, the Federal Circuit held that the district court did not abuse its discretion in determining that the case was exceptional and awarding attorney fees to the patent owner under 35 U.S.C. § 285. Takeaway: the substantive strength of a party's litigating position can independently support an exceptional-case determination.

Dow Chemical Company filed a patent infringement suit against NOVA Chemicals Corporation. The district court held that Dow had standing to sue and entered judgment against NOVA. NOVA then brought an action in equity against Dow, alleging two instances of fraud on the court. NOVA alleged that Dow misrepresented its ownership of the patents and that Dow's counsel knew or should have known of a ploy to confuse the jury. However, the district court rejected NOVA's arguments and dismissed the equity action. Dow then moved for sanctions, attorney fees, and costs under 35 U.S.C. § 285. After analyzing the weakness of NOVA's litigation position and the manner in which NOVA pursued the case, the court awarded Dow \$2.5 million in attorney fees.

On appeal, NOVA challenged the district court's determination that the case was exceptional. NOVA contended that the court improperly viewed NOVA's case as extreme based solely on the fact that NOVA attempted to pursue relief in equity. The court found that the exceptional-case determination would have been inappropriate if based on NOVA's filing of the equity action itself. But the court held that the district court did not abuse its discretion by basing its determination on NOVA's weak litigating position and manner in which the case was litigated.

NOVA also argued that to determine the exceptionality of the case, the district court should compare the case only to other equity actions, instead of other general patent cases. The court found this argument unpersuasive because the equity action stemmed from the patent infringement action. Furthermore, NOVA's proposed approach would run counter to the Supreme Court's approach of considering the totality of the circumstances on a case-by-case basis. Therefore, even though the case was one of equity, the court affirmed the district court's award of attorney fees under 35 U.S.C. § 285.

Novartis AG v. Noven Pharm., Inc.,
853 F.3d 1289 (Fed. Cir. 2017)

In an appeal from the PTAB, the Federal Circuit affirmed the PTAB's finding of invalidity based on obviousness. Takeaway: the PTAB is not bound by a district court's findings of nonobviousness, as the burden of proof is different and differing factual records may produce opposite results.

Novartis AG appealed two separate decisions from the PTAB that found various claims of its patents, U.S. Patent Nos. 6,316,023 and 6,355,031, obvious over the prior art. The patents belong to the same family and generally disclose a "[p]harmaceutical composition" that is "useful . . . for the treatment of Alzheimer's disease." On appeal, Novartis argued



that the PTAB “unlawfully reached different conclusions” than both the U.S. District Court of Delaware and the Federal Circuit. Specifically, Novartis claimed that the District of Delaware and the Federal Circuit used the same evidence and arguments to find the relevant asserted claims nonobvious in two prior opinions.

The Federal Circuit held that this argument failed on both factual and legal grounds. First, the Federal Circuit agreed with the PTAB that the record before the PTAB was different from that previously in the district court as Noven Pharmaceuticals, Inc. presented evidence of additional prior art and expert declarations. Second, the Federal Circuit held that even if the records were the same, Novartis’s argument would fail as a matter of law because the standard of review in the two tribunals is different. While a defendant in district court must prove invalidity by clear and convincing evidence, a petitioner before the PTAB must only prove invalidity by a preponderance of the evidence. After reviewing the PTAB’s decision, the Federal Circuit held there was substantial evidence to support the finding that Novartis’s various claims were invalid as obvious.

Novartis AG v. Torrent Pharm. Ltd.,
853 F.3d 1316 (Fed. Cir. 2017)

In an appeal from the PTAB, the Federal Circuit upheld the PTAB’s finding that both a patent’s original claims, and the patentee’s proposed substitute claims, were invalid. Takeaways: (1) the PTAB may rely on a reference as additional support in an IPR proceeding, even if it declined to institute an IPR on that particular reference alone; and (2) evidence of a nexus for nonobviousness must not be based on subject matter known in the prior art.

Novartis AG owns U.S. Patent No. 8,324,283, which relates to a solid pharmaceutical composition suitable for oral administration to treat multiple sclerosis. Torrent Pharmaceuticals Ltd. filed a petition to institute an IPR of claims 1–32 of the patent. Specifically, Torrent alleged that: (1) claims 1–32 were obvious over a combination of Chiba and Aulton; (2) multiple claims were anticipated by Sakai; and (3) claims 1–32 were obvious over Chiba and Sakia. The PTAB instituted the proceeding on the first grounds, but declined to do so on the second and third grounds. Thereafter, the PTAB issued a Final Written Decision concluding that “Chiba and Aulton collectively teach each limitation of claims 1–32 of the ’283 patent.” In its decision, the PTAB stated that it relied on Sakai as a background reference, which further persuaded it to combine Chiba with Aulton. Additionally, the PTAB rejected Novartis’s claims of objective indicia of nonobviousness, finding that the independent claims were “‘not commensurate in scope’ with the purported unexpected result” because the claims were “not limited to any particular dose or dose range.”

Novartis’s appeal argued that: (1) the PTAB violated the APA when it relied on Sakai in its decision, failing to give Novartis proper notice and an opportunity to be heard; and (2) the PTAB erred in its inquiry into the motivation to combine evidence and its handling of the alleged objective indicia of nonobviousness.

The APA requires that an agency “not change theories in midstream without giving respondents reasonable notice of the change” and an “opportunity to present argument under the new theory.” In holding that the APA provisions were satisfied here, the Federal Circuit first noted that the PTAB never fully ruled Sakai out of the case in its initial Institution Decision. The PTAB simply “declined to read Sakai as an anticipatory reference or primary obviousness reference,” which was in line with its treatment of Sakai in its Final Written Decision, where Sakai was merely used to bolster the PTAB’s obviousness analysis. Further, the panel noted that Novartis could not have been “surprised” by the inclusion of Sakai in the PTAB’s decision, as it was debated throughout the proceeding.

Turning to the PTAB’s obviousness analysis itself, the panel concluded there was substantial evidence to support the motivation to combine. With respect to Novartis’s objective indicia of nonobviousness argument, the panel held: (1) Novartis did not preserve its unexpected results argument for appeal, as it did not distinctly argue this before the PTAB; and (2) Novartis failed to establish a nexus between the ’283 patent and the objective indicia. As to the latter, the panel noted that a nexus cannot exist if the objective indicia is due to an element in the prior art. Although Novartis was the first to make commercially-available a “solid oral multiple sclerosis treatment,” this was “indisputably known in the prior art.” Thus, Novartis failed to present evidence probative of nonobviousness and the Federal Circuit affirmed the PTAB’s decision.

One-E-Way, Inc. v. Int’l Trade Comm’n,
859 F.3d 1059 (Fed. Cir. 2017)

In a case concerning two patents for the wireless audio digital system that lets people listen to their wireless headphones privately, a divided court reversed the ITC’s determination that the term “virtually free from interference” was indefinite under 35 U.S.C. § 112. A divided court held that a person of ordinary skill in the art would not find the term indefinite, but rather would take it to mean that One-E-Way’s invention prevented eavesdropping. Takeaways: terms are not necessarily indefinite under Section 112 because they lack a technical definition, and descriptors relating to degree (*e.g.*, the term “virtually”) do not necessarily render terms indefinite.

In the case below, the ITC found that the term “virtually free from interference” was not defined in either the patents or their file histories and did not have an understood meaning in the art. Therefore, it found the term to be indefinite because its scope could not be readily discerned. One-E-Way petitioned the Commission to review the decision, and the Commission affirmed. One-E-Way appealed to the Federal Circuit.

The Federal Circuit found that the term “virtually free from interference” would be understood in the art to mean that the device prevented users from eavesdropping, as proposed by One-E-Way. It agreed with One-E-Way that this meaning could be inferred from the patent’s specification and from its prosecution history.



First, the court found that the specification made clear that it was defining private listening as listening “without interference” because the specification repeatedly used the words “without interference” to describe the invention’s privacy features.

Next, the court considered the invention’s prosecution history. During prosecution, One-E-Way explained the term “where interference is virtually eliminated” with an example: “where eavesdropping cannot occur.” Even though this statement was made regarding claims reciting the term “free from interference,” rather than “virtually free from interference,” the court concluded that a person of ordinary skill would have understood this statement instructive for several reasons. First, claims using the term “virtually free from interference” were also pending at the time the statement was made. Second, the statement itself used the word “virtually.” Third, One-E-Way had also distinguished its claims from the prior art by arguing that the prior art was not even “virtually free from interference.”

As to whether a person of ordinary skill in the art would know how much interference was permitted by the word “virtually,” the court found that the lack of a technical definition did not necessarily render the term indefinite. Instead, the meaning of “virtually free from interference” as “listening without eavesdropping,” as described in the specification, provided a “clear line” as to the scope of the invention.

Finally, on the argument that “virtually free from interference” was indefinite because it was not clear how it differed in scope from the term “free from interference,” the court found that it was not required to construe the meaning of the term “free from interference,” as it was absent from any of the asserted claims. Nonetheless, it found that the two terms could easily be distinguished, with “free from interference” being “a bit better” than “virtually free from interference,” though both would, at minimum, mean “free from eavesdropping.”

In dissent, Chief Judge Prost rejected the majority’s reliance on a “cherry-picked prosecution remark,” and argued that it went against the Supreme Court’s decision in *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014). Instead, she would have relied more heavily on the written description and found that a person of ordinary skill in the art would not have been reasonably certain about the term’s scope. For these reasons, she would have affirmed the Commission.

***Outdry Techs. Corp. v. Geox S.p.A.*,**
859 F.3d 1364 (Fed. Cir. 2017)

In this appeal, the Federal Circuit affirmed the PTAB’s decision that patent claims reciting a method of waterproofing leather were obvious. Takeaway: the Federal Circuit continues to support the PTAB’s use of the broadest reasonable interpretation for claim construction in IPRs, allows the adoption of party arguments if there is reasoned decision-making and sufficiently articulated analysis, and does not require the motivation to combine to be derived from the problem the applicant is trying to solve.

The patent-at-issue covered a method of waterproofing leather by directly pressing a semi-permeable membrane onto the leather via a dotted glue pattern. One claim referred to the density of the glue dots and another to their size. Construing “directly pressing” according to its broadest reasonable interpretation, the PTAB found that the claims were invalid as obvious over a combination of prior art references.

On appeal, Outdry argued the PTAB improperly defined “directly pressed” and merely adopted Geox’s arguments for the motivation to combine the prior art references without making any findings of its own. Outdry also argued the suggested motivation was not applicable because it did not relate to the problem that the inventor was trying to solve. The Federal Circuit rejected those arguments, relying on their decision in *Cuozzo* to allow the broadest reasonable interpretation of “directly pressing” and on the Supreme Court’s KSR opinion that a motivation to combine is not limited to the problem faced by the inventor.

***Perfect Surgical Techniques, Inc. v. Olympus Am., Inc.*,**
841 F.3d 1004 (Fed. Cir. 2016)

The Federal Circuit addressed the burden of proof required for a patent owner to demonstrate reasonable diligence in reducing his invention to practice when seeking to antedate a reference. Takeaway: when establishing reasonable diligence for patents that fall outside the America Invents Acts (“AIA”), patent owners must provide corroborating evidence (*e.g.*, bills, e-mails and call logs) of diligence-related activities, but modest, reasonable gaps in diligence-related activities may be allowed.

Perfect Surgical Techniques (“PST”) appealed the decision from an IPR that invalidated claims from U.S. Pat. No. 6,030,384 as anticipated and/or obvious in light of a Japanese patent application. According to the PTAB’s final decision, PST failed to establish prior conception and diligence as required to antedate the Japanese reference, rendered claims from its patent invalid. The Federal Circuit panel majority, however, disagreed.

Under the pre-AIA 35 U.S.C. § 102(g), a patentee may antedate a reference by proving earlier conception and reasonable diligence. In support of its efforts to antedate a prior Japanese application, PST submitted evidence that its inventor diligently worked on the patent application during the critical period amidst his busy medical practice. PST also introduced letters between the inventor and his attorney, billing records, and the attorney’s declaration regarding efforts and meetings during the relevant period. The PTAB held, however, that PST could not prove reasonable diligence because it failed to be sufficiently specific regarding the inventor’s diligence during certain “gap” periods.

The panel majority disagreed, holding that the PTAB had adopted an impermissibly demanding reasonable diligence inquiry. First, according to the majority, the PTAB applied the incorrect standard, effectively requiring continuous diligence, rather than reasonably continuous diligence. Second, the majority found that the PTAB failed to weigh the evidence under the appropriate burden of proof. The correct standard—the “rule of reason”—requires evaluating the evidence as a whole. But the PTAB focused on minor gaps in the evidence of specific diligence-related activities that the inventor undertook

during portions of the critical period. For example, the PTAB criticized that the inventor could not recall how he responded to some of his attorney's questions, and that his testimony identified the number of surgeries he performed per week without recalling specific dates. The panel majority held that this level of specificity is not required: "Under a rule of reason analysis, PST was not required to corroborate every day the application was worked on, every surgery [the inventor] performed, or specify precisely what work was done." The standard was easily satisfied when corroborating evidence (*e.g.*, letters and draft applications) showed that the inventor and his attorney had diligently engaged in activities during some of the alleged gaps. Third, the panel majority found that the PTAB erred when it failed to attribute the efforts of the inventor's attorney to the diligence effort.

Judge Schall dissented in part, disagreeing that the PTAB imposed too exacting a standard on PST. Judge Schall argued that the rule of reason standard does not do away with the need for the inventor to provide a reasonable justification for all gaps of inactivity during the critical period. Such reasonable justification must be supported by corroborating evidence, independent of the inventor's testimony. Although Judge Schall agreed that PST had fulfilled this standard with regard to two alleged gaps in the critical period, it emphasized that a third had only been justified through the inventor's uncorroborated testimony, which could not alone constitute a sufficient showing. Thus, Judge Schall would have affirmed the PTAB's finding that the inventor had not been sufficiently diligent.

All three members of the panel also rejected the PTAB's claim construction, which was material to the PTAB's decision that the Japanese application was invalidating prior art in the first instance. The panel majority thus vacated the PTAB's invalidation of claims and remanded the diligence, anticipation, and obviousness inquiries back to the PTAB for further findings in light of the correct construction.

Pers. Web Techs., LLC v. Apple, Inc.,
848 F.3d 987 (Fed. Cir. 2017)

Apple filed a successful petition for IPR of PersonalWeb's patent for "locating data and controlling access to data by giving a data file a substantially unique name that depends on the file's content." Apple alleged that claims of the patent were obvious based on a combination of two prior art references: "Woodhill discloses a system for using content-based identifiers in performing file management functions, such as backing up files," while "Stefik discloses an authentication system designed to control access to digital works stored in a repository." The PTAB agreed with Apple, and PersonalWeb appealed.

The court focused its review on the evidentiary standard required for an obviousness determination. It emphasized that agency determinations must be supported by substantial evidence and that the PTAB "is obligated to provide an administrative record showing the evidence on which the findings are based, accompanied by the agency's reasoning in reaching its conclusions." The Federal Circuit agreed with PersonalWeb that the PTAB failed to meet this standard.



The court also found that the PTAB failed to provide substantial evidence to support its determination that a person of ordinary skill in the art would have been motivated to combine the prior art references. It noted that the PTAB's analysis merely echoed Apple's conclusory contentions that a skilled artisan would have known to combine the two prior art references. The court found the PTAB's analysis insufficient noting that "it does not imply a motivation to pick out those two reference and combine them to arrive at the claimed invention." To succeed on a claim of obviousness based on a combination of prior art references, challengers must demonstrate that the prior art references cover all claims of the invention and must provide evidence that a person of ordinary skill in the art would have sufficient motivation to combine the references.

Phigenix, Inc. v. ImmunoGen, Inc.,
845 F.3d 1168 (Fed. Cir. 2017)

The Federal Circuit held that a competing licensing company lacked standing to appeal from a decision by the PTAB. Takeaway: Article III standing is required to appeal an administrative agency's decision even when it is not required to appear before that agency.

ImmunoGen is the assignee of a patent that claims methods of treatments for a variety of cancers. ImmunoGen licenses this patent exclusively to Genentech, which uses the patent to produce the drug Kadcyla. Phigenix is a discovery-stage biotechnology research company that owns a patent that it alleges covers Kadcyla. Genentech refused Phigenix's offer to license its patent, so Phigenix brought suit against Genentech. Phigenix also sought IPR of ImmunoGen's patent. The PTAB found the claims non-obvious, and Phigenix appealed.

The Federal Circuit held that Phigenix lacked standing to appeal. The Federal Circuit first clarified its legal standard for demonstrating standing in an appeal from a final agency action. Following the D.C. Circuit Court of Appeals and several others, the Federal Circuit held that the summary judgment burden applies in cases where a party seeks review of a final agency action and its standing comes into doubt. When standing is not self-evident, the appellant must identify evidence in the record to support its standing or submit additional evidence by affidavit or in another form. The Federal Circuit explained that the evidence must be produced at the earliest appropriate time, either in the opening brief or in response to a motion to dismiss.

Applying that standard, the court of appeals concluded that Phigenix lacked standing to appeal the PTAB's decision. Phigenix asserted that it suffered economic injury because ImmunoGen's patent increases competition, which is a cognizable Article III injury. Phigenix submitted a declaration stating that the patent harmed Phigenix's licensing efforts and a letter it sent to ImmunoGen explaining its concerns about the validity of ImmunoGen's patent. The Federal Circuit held that this evidence was insufficient to demonstrate injury in fact because there was no indication that Phigenix had ever licensed its patent. The court also rejected Phigenix's argument that the statutory right to appeal established Article III standing.



Phil-Insul Corp. v. Airlite Plastics Co.,
854 F.3d 1344 (Fed. Cir. 2017)

In this appeal, the Federal Circuit affirmed a finding of noninfringement based on collateral estoppel from a Rule 36 judgment. Takeaway: a Federal Circuit Rule 36 judgment is a valid and final judgment of the court for purposes of preclusive effect, as long as each issue is “necessary” to the final appellate judgment.

Phil-Insul Corporation d/b/a IntegraSpec sued Airlite Plastics Company for infringement of its patent, U.S. Patent No. 5,428,933, that relates to insulating concrete forms used in the construction of buildings. The district court granted Airlite’s motion for summary judgment based on collateral estoppel. IntegraSpec appealed.

In a previous litigation, IntegraSpec sued a different defendant, Reward Wall, for infringement of the ’933 patent, accusing products IntegraSpec stipulated were similar to Airlite’s accused products. In the prior Reward Wall litigation, the district court construed the claim terms “adjacent” and “substantially the same dimension.” Based on those constructions, the district court held that Reward Wall’s products did not infringe the patent. Both parties stipulated to an immediate appeal under Rule 54(b), and the district court entered a final judgment in favor of Reward Wall. On appeal before the Federal Circuit, IntegraSpec challenged only the district court’s claim constructions, which the Federal Circuit summarily affirmed pursuant to Federal Circuit Rule 36.

In the *Airlite* litigation, IntegraSpec conceded that the Airlite accused products were substantially the same as Reward Wall’s accused products. However, despite the decision in the Reward Wall litigation that those products did not infringe, IntegraSpec argued that collateral estoppel was not warranted. Specifically, IntegraSpec argued that the Federal Circuit’s decision in *TecSec, Inc. v. International Business Machines Corp.*, 731 F.3d 1336 (Fed. Cir. 2013), stood for the proposition that “a Rule 36 summary affirmance cannot have preclusive effect.” The Federal Circuit rejected IntegraSpec’s argument, clarifying that a prior Rule 36 judgment can have a preclusive effect as long as each finding in the ruling was “necessary” to the final appellate judgment. Here, the Federal Circuit found that each of the appellate rulings on claim construction in the prior Reward Wall litigation were necessary to support the affirmance of noninfringement. Thus, the court held that collateral estoppel was appropriate in the *Airlite* litigation, and affirmed the district court’s judgment of noninfringement.

Poly-America, L.P. v. API Industries, Inc.,
839 F.3d 1131 (Fed. Cir. 2016)

In this case about claim disavowal, the Federal Circuit drew from the specification and the prosecution history of the patent as a whole to affirm the district court’s construction of “short seal” as requiring that the seals extend inwardly, even though the individual claim asserted did not include this limitation.

Poly-America’s ’308 patent is directed to an improved construction of an elastic drawstring trash bag. The ’308 patent describes two small seals in the upper corners referred to as

“short seals.” A claimed feature of these short seals was their narrowed opening compared to the rest of the bag, supported by the written description of the patent. Claim 10 did not expressly state a limitation as to the size of the short seals, but all of its dependent claims included such a limitation. The district court construed claim 10 to require that the seals extend inwardly based on the specification and the prosecution history, and the parties stipulated that API Industries did not infringe ’308 patent.

Reviewing the prosecution history and the specification, the Federal Circuit reasoned that Poly-America had disavowed claims lacking an extended short seal by describing the short seal as a characteristic feature of the invention in the specification and by disparaging prior art bags as difficult to secure due to their lack of extended short seals. Additionally, during prosecution, Poly-America’s reply to an examiner’s rejection stated a bag upper width “less than the ‘bag proper width’” was required by the independent claims. Taken together, the Federal Circuit held the specification and prosecution history provided “clear and unequivocal evidence” that the inventor intended to disavow any claim scope encompassing short seals that are not inwardly extended.

The Federal Circuit also rejected Poly-America’s argument that the district court’s claim construction rendered language in dependent claim 13 redundant, since the relevant provision—“a distance between the first seal and the second seal to a width of the bag proper being greater than 94% but less than 100%”—simply provided a more specific range. Additionally, the fact that claim 10 does not reference a reduced upper opening width, and all other claims do, does not violate claim differentiation principles because those principles cannot override clear statements of claim scope found in the specification and prosecution history.

Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.,
843 F.3d 1315 (Fed. Cir. 2016)

The Federal Circuit issued various holdings on anticipation, obviousness, induced infringement, and claim vitiation following *Power Integrations, Inc.*’s and Fairchild Semiconductor Corporation’s numerous appeals and cross-appeals.

Power Integrations and its direct competitor Fairchild brought appeals and cross-appeals following a ten-day trial in the District of Delaware that resulted in jury verdicts regarding the infringement and validity of their patents. Their patents disclosed power source controller chips. The chips are contained within power supplies used to charge electronic devices. The chips ensure the proper functioning of the power supplies by regulating how power is transferred to downstream components.

Fairchild, through its numerous appeals, argued that the jury erred in finding that Power Integrations’ patents had not been anticipated by prior art and in finding that it was liable for induced infringement. Fairchild appealed from the jury’s finding that Power Integrations’ U.S. Patent No. 6,249,876 had not been anticipated by prior art. The ’876 patent recited a claim limitation related to “frequency jittering,” which the district court construed to mean “varying the switching frequency of a switch mode power supply about a target frequency in order to reduce electromagnetic interference.” Although Fairchild



did not dispute the construction, it asserted that the claim limitation had already been disclosed in prior art because the prior art's average frequency was essentially the same as the target frequency disclosed by the '876 patent. The court disagreed, stating that Fairchild's average frequency calculation was performed with a prior knowledge of the target frequency. Since the prior art did not teach the prior knowledge needed to decipher the target frequency, the court affirmed the jury's finding that the relevant claims were not invalid as anticipated.

Fairchild also appealed the jury's verdict that claims 1 and 2 of Power Integrations' U.S. Patent No. 7,834,605 were not anticipated by prior art. Claims 1 and 2 recited "a variable current limit threshold that increases during the on time of the switch." Fairchild alleged that the prior art disclosed the same. At trial, Power Integrations' expert testified that this was not the case. However, two of his subsequent statements, considered together, contradicted his direct testimony on the issue. The court therefore reversed the jury's verdict of no anticipation as to claims 1 and 2 of the '605 patent.

Next, Fairchild appealed the jury's verdict that it induced others to infringe claim 18 of U.S. Patent No. 6,107,851 and claims 1 and 21 of the '876 patent. Fairchild argued that the district court's jury instructions misstated the law because it left the jury with the incorrect understanding that a party may be liable for induced infringement even where it does not successfully communicate with or actually cause the third-party's infringement. The court agreed with Fairchild that the precedent required a showing of actual inducement to establish liability, and that the instructions inaccurately stated the law. The court, therefore, vacated the jury's induced infringement finding.

The court did not go so far, however, as to agree with Fairchild that it was entitled to a judgment as a matter of law of no induced infringement. Fairchild designed its chips to meet United States energy standards, provided demonstrations to potential customers in the United States, and enabled customers, via its website, to locate United States-based distributors that sold its controller chips. A reasonable jury could therefore find that Fairchild induced the third party's infringing activity of importing products containing Fairchild's power supply controller chips into the United States.

Power Integrations appealed from the jury's finding that it infringed claims 6, 7, 18 and 19 of Fairchild's U.S. Patent No. 7,259,972. Power Integrations' appeal consisted of three arguments. First, Power Integrations argued that the district court improperly construed a relevant claim limitation. Second, Power Integrations argued that the jury's verdict that the relevant claims were not invalid for obviousness was not supported by substantial evidence. Third, Power Integrations argued that the jury's verdicts that it did not literally infringe the claims, but did infringe them under the doctrine of equivalents resulted in claim vitiation.

The parties disputed the proper construction of the claim limitation "sampling a voltage from the auxiliary winding of the transformer and a discharge time of the transformer." The district court adopted Fairchild's proposed construction: "sampling a voltage from the auxiliary winding of the transformer when the transformer is discharging." The court found the claim limitation to be ambiguous because it was unclear what clauses were linked



by the conjunction “and.” However, the court found that the specification’s description was consistent with the district court’s preferred construction, and therefore affirmed.

The court then assessed Power Integrations’ second argument that the ’972 patent’s claims were void for obviousness. Power Integrations argued that a combination of U.S. Patent No. 5,956,242 and the ’876 patent disclosed every relevant limitation of the ’972 patent and that the combination would also have been easy to achieve for a person having ordinary skill in the art (“PHOSITA”). Fairchild countered that the asserted claims were not obvious because the prior art did not disclose a specific feedback signal claimed in the ’972 patent, and because a PHOSITA would have had difficulty combining the referenced patents. The court affirmed the jury’s verdict that the claims were not obvious given that there was conflicting expert testimony at trial. The court reasoned that when there is conflicting testimony, the jury is permitted to make credibility determinations and believe the witness it considers more trustworthy. Such determinations will only be overturned if the evidence overall makes only one finding on the point reasonable.

Finally, the court assessed Power Integrations’ argument challenging the jury’s verdicts that it did not literally infringe the ’972 patent’s claims but did infringe them under the doctrine of equivalents. Power Integrations argued that the verdicts, considered together, resulted in claim vitiation. The jury first found that Power Integrations’ products did not literally infringe. It thereby necessarily found that Power Integrations’ products contained a single feedback signal, not the two feedback signals required by the ’972 patent’s claims. However, the jury then found for infringement under the doctrine of equivalents, rendering Power Integrations’ single signal product and Fairchild’s two signal product “equivalent.” But since Fairchild considered its products’ two (as opposed to one) feedback signals critical to the invention’s novelty, the jury’s equivalence finding vitiated the ’972 patent’s claim limitations by rendering them meaningless. The court agreed with the argument, and reversed the jury’s verdict finding infringement under the doctrine of equivalents.

Preston, et al. v. Nagel, et al.,
857 F.3d 1382 (Fed. Cir. 2017)

Pursuant to 28 U.S.C. § 1447(d), the Federal Circuit lacks subject matter jurisdiction to review a district court’s remand to state court of patent-related declaratory judgment counterclaims when the remand is based on the district court’s determination that it lacked subject-matter jurisdiction over those claims. Takeaway: the America Invents Act (AIA) does not create an exception to 28 U.S.C. § 1447(d); the Federal Circuit does not have jurisdiction to review a district court’s order remanding a case to state court when the district court determines that it does not have subject-matter jurisdiction over patent-related claims (or counterclaims).

The controversy stems from a long-term business relationship that soured. Preston (patent licensor) alleged that Nagel (patent licensee) abused his role in the relationship, misappropriated Preston’s encrypted hard drive, and exploited Preston’s intellectual property rights. Preston filed a complaint against Nagel in Massachusetts Superior Court alleging fifteen state law claims, including interference with business relations, conversion, and constructive trust. Nagel answered the complaint and filed eleven declaratory

judgment claims seeking declarations of non-infringement for several patents held by plaintiff. Nagel also removed the case to the U.S. District Court for the District of Massachusetts. Preston moved for remand. The district court remanded the case to the state court because it determined that the district court lacked subject-matter jurisdiction over the state law claims, and the patent counterclaims did not present a justiciable case or controversy under Article III.

The Federal Circuit held that the remand was not reviewable. First, the Federal Circuit held that when a district court remands a case to state court on the basis of lack of subject-matter jurisdiction, 28 U.S.C. § 1447(d) precludes the court of appeals from second-guessing the district court's jurisdiction determination, no matter how plain the legal error may be. Section 1447(d) provides that "[a]n order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise." Second, the Federal Circuit determined that the AIA provisions that strengthen its jurisdictional authority—clarifying that state courts had no jurisdiction over patent claims and permitting removal of cases in which any party asserted a patent claim—did not create an exception to the clear Section 1447 bar. As to the second point, the Federal Circuit explained that "[t]o the extent that the AIA prefers that closely related state-law claims and patent-law counterclaims be heard together, it does not follow that we have jurisdiction to review remand decisions that require such claims to be pursued in separate forums. Though hearing the state-law and patent-law claims together may promote important interests such as efficiency and avoiding inconsistent judgments, we are not persuaded that the AIA commands us to favor these interests over Section 1447(d) and the presumption of remand non-reviewability." The Federal Circuit rejected Nagel's argument that the remand would deprive him of his right to be heard; Nagel had, and still has, the option to bring a separate federal declaratory action for his counterclaims.

Prism Techs. LLC v. Sprint Spectrum L.P.,
849 F.3d 1360 (Fed. Cir. 2017)

In this appeal from the District of Nebraska, the Federal Circuit affirmed the district court's denial of a motion for a new trial based upon the admission of a settlement agreement between Prism and AT&T. Takeaway: settlement agreements from a prior patent infringement suit can be reliable evidence of the value of patented technology in future infringement suits, depending on a variety of factors such as the whether the same patented technology is at stake or whether the settlement amount was influenced by other litigation concerns.

A jury found Sprint Spectrum L.P. liable to Prism Technologies LLC for infringement of two patents and awarded Prism \$30 million on reasonable-royalty damages. On appeal, Sprint challenged the district court's denial of its motion for a new trial based upon the introduction of a settlement agreement between Prism and AT&T in a similar infringement action. Both suits concerned two patents for managing access to protected information provided over "untrusted networks." Sprint also challenged the district court's decision to not exclude testimony from Prism's damages expert. Prism, on cross-appeal, challenged the district court's denial of its motion for additional damages covering Sprint's ongoing



and future infringement of the asserted patents, after the jury awarded \$30 million in royalties.

The Federal Circuit affirmed the district court's decision on all grounds. Sprint argued the district court abused its discretion in admitting the settlement agreement between AT&T and Prism as evidence of a reasonable royalty under Federal Rule of Evidence 403. The Federal Circuit held that such a licensing agreement is likely to be admissible in a later infringement suit if the earlier and later suits concern the same patented technology and address common issues. The court also stated that courts must consider factors which influence the reliability of the agreement as evidence of the value of the patented technology such as the probability the parties faced adverse judgment, the cost of that potential judgment, and the costs of further litigation. Using this test, the Federal Circuit found the district court did not abuse its discretion in admitting the settlement agreement because it: 1) covered the same technology at issue; 2) the agreement was entered into on a fully developed record and after discovery; and 3) the settlement was reached after a large share of litigation costs had already been expended.

The Federal Circuit also affirmed the district court's admission of testimony from Prism's expert on calculating a reasonable royalty for the asserted patents because using estimated cost-savings is a well-established method for determining a reasonable royalty and the expert calculations were supported by evidence.

The court rejected Prim's cross-appeal, finding that the jury's award included relief for Sprint's past, present, and future infringement. The evidence suggested that the jury award included compensation for future infringement in the form of a fully paid license for the life of the patents. Thus, Prism was fully compensated.

RecogniCorp, LLC v. Nintendo Co., Ltd.,
855 F.3d 1322 (Fed. Cir. 2017)

The Federal Circuit affirmed the district court's grant of judgment on the pleadings on the basis that RecogniCorp, LLC's patent claims were not patent-eligible under 35 U.S.C. § 101. Takeaway: claims reciting a method and apparatus for encoding and decoding data were not patent-eligible because they merely employed a mathematical equation to an abstract idea without any particularized application.

The claims of the asserted patent reciting an invention for building a composite facial image using constituent parts. The Federal Circuit applied the two-part *Alice* test for patent-eligibility. Under step one, the Federal Circuit agreed with the district court that the claims were directed to the abstract idea of encoding and decoding image data. It noted that the claimed method "reflects standard encoding and decoding, an abstract concept long utilized to transmit information." It distinguished the claims from the claims in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), because here the claims did not explicitly improve the functioning of a computer or otherwise solve a technological problem.



With respect to *Alice* step two, the court also agreed with the district court that the claim lacked an inventive concept. The Federal Circuit reasoned that the combination of claim elements did not confer eligibility because the claims failed to recite a particularized application of the encoding and decoding image data. In other words, because the claims of the asserted patent were not connected to a particular application (they could be performed by hand or with a computer) and did not solve a particular problem, the claims lacked any inventive concept.

Thus, the Federal Circuit affirmed the district court's determination that the claims were not patent-eligible.

***REG Synthetic Fuels, LLC v. Neste Oil Oyj*,**
841 F.3d 954 (Fed. Cir. 2016)

In this appeal from an IPR proceeding, the Federal Circuit affirmed the PTAB's finding of anticipation of some claims, but reversed a finding of anticipation based on a second reference in light of evidence of prior conception. The Federal Circuit panel found that the PTAB had improperly required the patentee to present evidence of the inventor's appreciation of aspects of the invention that were not claimed. The panel thus vacated the PTAB's decision and remanded for determinations as to diligence and reduction to practice. Takeaway: evidence of conception does not need to include aspects of the invention that are not claimed.

The IPR involved U.S. Patent No. 8,231,804, which is directed to paraffin compositions containing primarily even-carbon number paraffins and methods of making them. Neste filed a petition for IPR against the '804 patent, and the PTAB found claims 1, 3, 4, and 8 anticipated by one reference (Craig), and claims 1-3, 5, and 8 anticipated by another (Dindi). As to the first reference, REG argued on appeal Craig disclosed a different type of percentages than the weight percentage limitation found in the '804 patent claims. As to the second reference, PEG argued that the PTAB improperly excluded, as hearsay, evidence that corroborated its claim that the purported '804 invention was conceived before the filing date of Dindi, and subsequently diligently reduced to practice, thus disqualifying Dindi as prior art.

The Federal Circuit panel affirmed the PTAB's anticipation ruling regarding Craig. As the PTAB had noted, Craig recited data in the form of "peak area percentage" for various even carbon-number hydrocarbons. As the panel agreed with the PTAB, while these peak area percentages do not, by themselves, establish the claimed weight percentages, a skilled artisan could have converted the peak area percentages to weight percentages that meet the weight percentage limitation of claim 1 based on calculations performed by Neste's expert.

The Federal Circuit panel disagreed with the PTAB, however, concerning proof of conception to swear behind the Dindi reference's filing date. The panel thus vacated the PTAB's finding of anticipation on that basis for claims 2 and 5 (the two claims for which the Craig reference was not at issue).

In doing so, the panel considered emails that showed that the inventor had disclosed his process to a third party prior to the Dindi reference's publication date, and that the third party had produced the claimed composition using that process. The panel disagreed with the PTAB that certain of the emails should be excluded as hearsay, noting that these emails were not offered for the truth of the matter asserted, but rather for their legal significance—namely, to show that the inventor had “recognized the usefulness of high even-carbon-number paraffins as a phase change material.” Contrary to the PTAB's view, the panel held that sufficient evidence of conception here did not require the inventor to recognize that he had created a specific class of compound, or the specific process by which it was created, because “the claims did not limit the invention based on these features.” Given that the PTAB did not make factual findings on diligence or reduction to practice, however, the panel vacated and remanded for such finds on these two claims.

Regeneron Pharm., Inc. v. Merus I.N.,
864 F.3d 1343 (Fed. Cir. 2017)

In an appeal from the Southern District of New York, a divided panel affirmed the district court's ruling that the asserted patent was unenforceable due to inequitable conduct.

Regeneron filed suit in the Southern District of New York accusing Merus B.V. of infringing U.S. Patent No. 8,502,018. Merus asserted a counterclaim of unenforceability due to inequitable conduct, alleging that Applicant withheld four prior art references (the “Withheld References”) from the PTO during prosecution of the '018 patent. Notably, the parties did not dispute that Regeneron knew of the Withheld References during prosecution of the patent, but Regeneron alleges that the references were not but-for material and that Regeneron did not have any specific intent to deceive the PTO.

The '018 patent teaches methods for targeting and modifying certain genes, and the asserted claim recites a limitation comprising a “genetically modified mouse.” The parties disputed whether, under the broadest reasonable construction, the claimed mouse was limited to a specific type of mouse, namely, a reverse chimeric mouse. The district court agreed with the defendants in not limiting the term, and as a result, found that the Withheld References constituted but-for material, even though they did not address a reverse chimeric mouse. In addition, the district court also found that Regeneron acted with the specific intent to deceive the PTO, even though it did not hold a second trial on intent. Instead, the district court drew an adverse inference of specific intent as a result of Regeneron's litigation misconduct. Such misconduct included failure to serve proper infringement contentions, improper privilege designations, and failure to produce documents that were subject to an order to compel.

A divided panel affirmed the decision. The two-judge majority found that the district court did not abuse its discretion in drawing an adverse inference of Regeneron's specific intent to deceive the PTO. Specifically, the Federal Circuit agreed that Regeneron failed to disclose documents during discovery that were directly related to its prosecuting attorneys' mental impressions of the Withheld References during prosecution of the asserted patent. As a result, it was proper for the district court draw an adverse inference to sanction this litigation misconduct.

Judge Newman dissented, finding that trial findings on the critical issue of intent to deceive the PTO cannot be substituted by inference. In particular, Judge Newman noted that “precedent strictly limits the inequitable conduct inquiry to a patentee’s conduct before the examiner.” In addition, Judge Newman also disagreed with the majority’s finding that that Withheld References were but-for material, noting that the district court did not find the invalidity based on the uncited references. Judge Newman reiterated that the test for but-for materiality is not whether the Withheld References are directed to similar subject matter; rather, the test is whether “the PTO would not have allowed a claim had it been aware of the undisclosed prior art.”

Rembrandt Wireless Techs., LP v. Samsung Elecs. Co. Ltd.,
853 F.3d 1370 (Fed. Cir. 2017)

In an appeal from the Eastern District of Texas, the Federal Circuit vacated and remanded the district court’s denial of Samsung’s motion to limit damages, asking the court to address whether the marking statute attached on a patent-by-patent or claim-by-claim basis. The Federal Circuit affirmed on issues of claim construction and the denial of Samsung’s motion for judgment as a matter of law. Takeaways: (1) if a patentee clarifies a claim term during prosecution, the clarification may hold more weight than the disclosure set forth in the specification; and (2) a patentee may not surrender a patent claim using disclaimer to avoid the fact that the claim was previously in effect and was not properly marked.

Rembrandt Wireless Technologies sued Samsung Electronics for infringement of U.S. Patent Nos. 8,023,580 and 8,457,228, which relate to “a system and method of communication in which multiple modulation methods are used to facilitate communication among a plurality of modems in a network.” At trial, a jury found that Samsung infringed the patents, and that the patents were not invalid over the prior art Samsung presented. The jury awarded Rembrandt \$15.7 million in damages. The district court subsequently denied Samsung’s motions for judgement as a matter of law, and Samsung appealed.

On appeal, Samsung disputed the district court’s construction of “modulation method [] of a different type.” Samsung argued that the district court relied too heavily upon the prosecution history of the ’580 patent, specifically that the construction “improperly affords dispositive weight to a single self-serving statement [] made after the examiner had allowed certain claims.” The Federal Circuit rejected this argument, finding that that statement in the prosecution history was the clearest indication of the meaning of the “different types” limitation. The court also noted that use of the phrase “*i.e.*” in the prosecution history statement did not undermine the patentee’s attempt to define “different types,” because “*i.e.*” is often used to define terms.

Samsung also argued that it had proved by clear and convincing evidence that the patents were invalid for obviousness under 35 U.S.C. § 103. The Federal Circuit disagreed, finding that there was substantial evidence to support the jury’s finding of nonobviousness.

Finally, Samsung challenged the jury’s damages award, arguing that the district court erred in resolving certain damages-related evidentiary disputes. The Federal Circuit disagreed,

finding that the district court did not abuse its discretion in allowing Rembrandt's expert to testify about his methodology in calculating royalty damages and that the damages award was supported by substantial evidence. However, the Federal Circuit did agree with Samsung's argument that the district court erred when it failed to bar pre-notice damages for failure to mark. The '850 patent had been previously licensed to a third-party, Zhone Tech, who sold unmarked products that embodied claim 40 of the patent. Before trial, Samsung sought to limit damages pursuant to the marking statute, 35 U.S.C. § 287, in view of Zhone Tech's failure to mark the licensed products. In response, Rembrandt dropped its allegations regarding claim 40 and disclaimed claim 40 by filing a statutory disclaimer with the PTO. In view of Rembrandt's disclaimer, the district court denied Samsung's motion. The Federal Circuit held that Rembrandt's disclaimer was essentially an "end-run around the marking statute" and was "irreconcilable with the statute's purpose." Thus, it concluded that "disclaimers cannot serve to retroactively dissolve a marking requirement for a patentee to collect pre-notice damages." Given that the court was unsure whether the marking statute should attach on a patent-by-patent or claim-by-claim basis, as the issue had not been addressed by the parties' briefing, the case was remanded to the district court to properly limit damages in view of the marking statute.

Rivera v. Int'l Trade Comm'n,
857 F.3d 1315 (Fed. Cir. 2017)

The Federal Circuit affirmed the U.S. International Trade Commission's (ITC) judgment that Rivera's (patentee) claims were invalid for a lack of written description; thus, Solofill (opponent) did not violate the Tariff Act of 1930 (19 U.S.C. § 1337). Rivera's patent covered a coffee brewing chamber that allowed coffee pods or cartridges to be used in brewing machines, but the ITC held that it failed to meet the written description requirement under 35 U.S.C. § 112. Takeaway: the written description requirement will not be satisfied when the patent description does not indicate a specific configuration of the device and only asserts a broad description of one of the components.

The dispute began when Rivera filed a complaint with the ITC, alleging that Solofill was importing coffee brewing chambers that violated its patent. The ITC concluded that Rivera's patent was invalid for lack of written description because the specification was entirely focused on an adaptor that could accept either coffee pods or cartridges, but failed to disclose a container that itself contained an integrated filter. The Federal Circuit agreed that Rivera's patent focused on a container that could accept flat coffee pods or cartridges, the salient feature of Solofill's device is the integrated filter that allows loose coffee grounds to be used—a feature Rivera omitted. The Federal Circuit agreed with the ITC that Rivera's patent failed the written description requirement.

Rivera argued that its pod description captured the Solofill integrated filter technology. Rivera's patent specification used broad language to define the pods that can be used with the device: "as used herein the term 'pod' is a broad term and shall have its ordinary meaning and shall include, but not be limited to, a package formed of a water permeable material and containing an amount of ground coffee or other beverage therein." On appeal, Rivera argued that the pod description would include a filter distinct from the cartridge or an integrated filter (like Solofill's product). The Federal Circuit disagreed, holding that the

written description test is satisfied when it “‘reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date’ of the patent.” Rivera’s pod description did not sufficiently describe Solofill’s product. The Federal Circuit, ITC, and Solofill agreed that the entire concept of Rivera’s patent was to allow coffee pods or cartridges to be used interchangeably. There is no hint of a receptacle with an integrated filter or screen that can be used instead (like Solofill’s product). The Federal Circuit acknowledged that Rivera’s broad definition of “pod” (encompassing any water permeable container that includes brewing material) could imply some sort of construction that has been prepared and sealed, but the lack of definite pod configuration failed to specifically target something like Solofill’s filter cup design. The court held that the specification failed to teach a potential configuration of elements, which rendered claims 5-7, 18, and 20 of the patent invalid.

Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc.,
858 F.3d 1383 (Fed. Cir. 2017)

Appellant/defendant ADS Security, L.P. (ADS) appealed an order from the U.S. District Court for the Eastern District of Texas denying ADS’s request for attorney fees pursuant to 35 U.S.C. § 285 following plaintiff/patentee’s voluntary dismissal of the case during the twenty-one day safe-harbor period of Fed. R. Civ. P. 11(c)(2). The Federal Circuit reversed, holding that the district court erred by failing to adequately consider relevant pre-dismissal conduct, and that Rule 11’s safe-harbor provision does not negate acts that would otherwise be “exceptional” under 35 U.S.C. § 285. Takeaway: whether a party avoids or engages in sanctionable conduct under Fed. R. Civ. P. 11(b) “is not the appropriate benchmark” for an exceptional case determination under 35 U.S.C. § 285.

Rothschild Connected Devices Innovations, LLC filed fifty-eight lawsuits against various parties asserting claim 1 of U.S. Patent No. 8,788,090. Despite that “[b]oth the specification and the prosecution history indicate that claim 1 is limited to consumable liquid products,” (J. Mayer, concurring), Rothschild asserted its patent against defendants’ technologies ranging from video cameras, to door locks, to smoke detectors and ceiling fans. One of those cases was filed against ADS, alleging that its home security system infringed the ’090 patent.

ADS responded to the lawsuit with an answer and counterclaims. ADS subsequently sent an email to Rothschild alleging that the ’090 patent covers patent-ineligible subject matter under 35 U.S.C. § 101 and was anticipated by certain prior art. ADS, however, offered to settle the case if Rothschild paid ADS \$43,330 for attorney fees and costs. Rothschild rejected ADS’s offer. ADS next filed a motion for judgment on the pleadings, arguing that claim 1 of the ’090 patent covers patent-ineligible subject matter, and sent Rothschild a notice pursuant to the safe-harbor provisions of Fed. R. Civ. P. 11(c)(2). The notice included copies of a proposed Rule 11(b) motion for sanctions and prior art that ADS alleged anticipated claim 1. In light of the Safe Harbor Notice, Rothschild voluntarily moved to dismiss its action.

ADS opposed and filed a cross-motion for attorney fees under 35 U.S.C. § 285. ADS argued that Rothschild’s suit was objectively unreasonable because (1) Rothschild knew



or should have known that claim 1 covers patent-ineligible subject matter; (2) is anticipated by prior art; and (3) Rothschild did not intend to test the merits of its claim and instead filed this and over fifty other lawsuits in district court in order to “exploit[] the high cost to defend complex litigation [and] extract nuisance value settlements.”

The district court granted Rothschild’s motion to dismiss and denied ADS’s cross-motion for attorney fees because it found Rothschild did not engage in conduct sufficient to make the action “exceptional” under Section 285, holding that Rothschild’s “decision to voluntarily withdraw its [C]omplaint within the safe harbor period is the type of reasonable conduct Rule 11 is designed to encourage.”

The Federal Circuit reversed, holding that the lower court clearly erred because it failed to consider Rothschild’s litigation position in consideration of the prior art and unsubstantiated statements concerning pre-suit investigations, failed to give appropriate weight to Rothschild’s actions in other litigations, and erred as a matter of law when, as part of its analysis, it stated that an attorney fee award under Section 285 would “contravene[] the aims of Rule 11[‘s]” safe-harbor provision. First, the court of appeals held that the district court clearly erred by (1) failing to consider Rothschild’s willful ignorance of the prior art (which it never conducted an analysis of despite having twice received it from ADS) and (2) failing to address the conflicting, and unsupported declarations filed in support of Rothschild’s opposition to the motion for attorneys’ fees. The district court made a “clearly erroneous assessment of the evidence” in giving weight to the declarations of Rothschild’s counsel and founder that they believed the patent to be valid and infringed without addressing the “incongruent statements” in the declarations. For example, the declarations admitted that Rothschild had not conducted an analysis of the prior art identified by ADS (twice), but also stated that they currently possessed a “good faith” belief that the patent was valid. In addition, the Federal Circuit held that the declaration statements that Rothschild conducted a pre-suit investigation had “no evidentiary value” where the conclusory statements were unsupported by any evidence.

Second, the Federal Circuit noted that Rothschild had asserted the patent in fifty-eight cases against a wide variety of technologies, and settled a vast majority (if not all) of the cases significantly below the average cost of defending an infringement lawsuit. The Federal Circuit held that “in the absence of evidence demonstrating that Rothschild engaged in reasonable conduct before the district court, the undisputed evidence regarding Rothschild’s vexatious litigation warrants an affirmative exceptional case finding here.”

Finally, the Federal Circuit held that the district court conflated Rule 11 and Section 285. The court of appeals held that the district court erred by holding that attorneys’ fees under Section 285 would contravene the aims of Rule 11’s safe harbor provision. The Federal Circuit explained that Rule 11 sanctions and Section 285 fees are not interdependent and should be analyzed by their own standards, further explaining that even if a party’s behavior was not independently sanctionable under Rule 11, fees may still be available under Section 285 for sufficiently exceptional behavior—such as behavior of Rothschild in this case. Judge Mayer concurred, stressing that the litigation was “frivolous on its face” and it satisfied the Supreme Court’s admonition in *Octane Fitness* that “a case presenting . . . exceptionally meritless claims may sufficiently set itself apart from mine-run cases to



warrant a fee award.” Judge Mayer focused on patent-ineligibility in his concurrence, reasoning that “[n]either nuanced legal analysis nor complex technical inquiry was required to determine that the ’090 patent could not be both broad enough to cover the home security products sold by [ADS] and narrow enough to withstand subject matter eligibility scrutiny.” According to Judge Mayer, Rothschild’s continued assertions that its patent extends to products simply because they are configured using the Internet are risible rather than simply unreasonable.

Rovalma, S.A. v. Bohler-Edelstahl GmbH & Co. KG,
856 F.3d 1019 (Fed. Cir. 2017)

The Federal Circuit vacated and remanded the PTAB’s IPR final decision finding claims unpatentable based on the patentee’s construction of the claims. Since the PTO failed to provide sufficient explanations for its obviousness determinations, the Federal Circuit could not resolve the substantive and procedural issues raised by the patentee. Takeaways: (1) to prevent the abuse of authority, the PTO must provide an adequate explanation of its analysis when issuing patent decisions; and (2) a patent owner’s submissions may be used against the patent owner in finding invalidity, so long as the patent owner is given adequate notice and an opportunity to be heard on the particular invalidity theories.

Bohler-Edelstahl GmbH & Co. KG petitioned for IPR of the ’056 patent by Rovalma, S.A. The ’056 patent describes methods for making hot-work steels with specific thermal conductivities and included four claims. The claims of the ’056 recites various process steps, including “providing,” “creating,” “selecting,” and “setting” steps. The petitioner argued that the claims should be construed to cover the specific chemical compositions described in the specification, whether or not the process implemented the above process steps, and never addressed whether the prior art disclosed the process steps. Although initially adopting the petitioner’s construction, in its Final Decision the PTAB relied on the patent owner’s construction of the claims, which required performance of the process steps and not just the compositions described. The PTAB, relying on evidence the patent owner submitted, determined that the claims would have been obvious to a person of ordinary skill over the same prior art that petitioner raised. The patent owner appealed the PTAB’s finding of unpatentability on substantive and procedural grounds.

The Federal Circuit found that the PTAB did not adequately explain its implicit findings on the substantive issues. For example, while the PTAB found that the prior art references expressly disclosed the steel compositions required in the claims, the court determined that the PTAB did not sufficiently explain its implicit findings on the other process limitations. The court also found that the PTAB failed to sufficiently provide evidence or explanation for other inferences. The PTAB had concluded—without sufficient explanation—that a person of ordinary skill would have inherently completed one of the steps and found the remaining steps obvious, and that a person of ordinary skill in the art would have been motivated to increase the thermal conductivities of the steels in the prior art and would have reasonably expected success in achieving the thermal conductivities.

The court then addressed whether the PTAB exceeded its statutory authority under the Administrative Procedure Act. The court rejected Rovalma’s argument that the PTAB



exceeded its statutory authority by relying on Rovalma's own submissions in determining that the claims would have been obvious. The court explained, however, that the PTAB may rely on a party's own submissions to determine unpatentability only so long as that party had adequate notice and an adequate opportunity to be heard regarding those invalidity theories. Here, since the court could not sufficiently determine how the PTAB reached the conclusion that the claims are obvious based on Rovalma's submissions, the court could not determine whether the PTAB properly complied with those procedural requirements. Thus, the court remanded for further proceedings on Rovalma's challenges.

ScriptPro LLC, et al. v. Innovation Assocs., Inc.,
833 F.3d 1336 (Fed. Cir. 2016)

A specification's focus on one particular embodiment or purpose cannot limit the described invention where that specification expressly contemplates other embodiments or purposes.

The patentee, ScriptPro LLC alleged that Innovation Associates, Inc. infringed its patent for a "collating unit" used with a control center and an automatic dispensing system to store prescription medication containers. The defendant argued the patent was invalid under Section 112 because the specification limited the collating unit to sorting and storing prescription containers by patient-identifying information (specifically, by patient name) while the claims were broad enough to cover collating units that sorted and stored prescription containers by other means. The district court determined that the specification was indeed limiting and granted summary judgment to the defendants on invalidity for lack of written description.

The Federal Circuit reversed. The appellate court determined that, while many of the embodiments described in the specification employ a sorting and storage scheme based on patient-identifying information, the specification does not limit the claimed invention to sorting and storing prescription containers by that method alone. While the invention was designed to solve problems associated with sorting prescription containers using patient-identifying information, it was also designed to solve other problems. The specification expressly stated that containers could be sorted and stored "by patient, prescription, or other predetermined storage scheme without input or handling by the operator." The court further reasoned that "a specification's focus on one particular embodiment or purpose cannot limit the described invention where that specification expressly contemplates other embodiments or purposes."

Secure Access, LLC v. PNC Bank Nat'l Ass'n,
848 F.3d 1370 (Fed. Cir. 2017)

In this appeal regarding the definition of a "covered business method patent" under Section 18(d)(1) of the America Invents Act ("AIA"), the Federal Circuit reversed the PTAB's decision that the patents-at-issue were covered business method patents. Takeaway: the statutory definition of a CBM patent requires that a patent have "a claim that contains, however phrased, a financial activity element."

Secure Axxess owns a patents that relates to computer security, particularly with respect to authenticating a web page. The specification describes examples of authenticating websites associated with banks, as well as websites that facilitate electronic commercial transactions. The claims of the patents do not, however, specifically recite a financial product or service. Nevertheless, the PTAB held the patents constituted CBM patents because they were directed to solving problems related to providing a web site to customers of financial institutions, and the legislative history of the AIA indicated that such patents should be encompassed by the CBM definition.

A divided panel of the Federal Circuit reversed, holding that the PTAB had erred in determining the patents at issue are CBM patents. Section 18(d)(1) of the AIA provides that a CBM patent is a “patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” Focusing first on the phrase “a patent that claims,” the court reasoned that this phrase applies to the entirety of the CBM patent definition. In particular, the statute requires that the claims recite a method or corresponding apparatus that is “used in the practice, administration, or management of a financial product or service.”

Second, focusing on the phrase “financial product or service,” the court reaffirmed its decision in *Unwired Planet LLC v. Google Inc.*, 841 F.3d 1376 (Fed. Cir. 2016), holding that this phrase does not encompass methods and apparatuses that are merely incidental to a financial activity. The court added that while particular “talismanic words” are not needed to meet the “financial product or service” aspect of the CBM definition, the claims must recite a “financial activity element.” Because the claims of the challenged patents did not recite a method or apparatus used in the practice, administration, or management of a “financial product or service,” the court reversed the PTAB’s CBM determination.

Judge Lourie dissented, arguing that the authentication functionality recited in the claims is “used in the practice” of a financial product or service. Indeed, Judge Lourie pointed out, the specification of the challenged patent specifically describes an application of the described functionality to financial transactions. Moreover, Judge Lourie noted that Secure Axxess’s litigation pattern “speaks volumes” about what the patentee believes its alleged invention should be used for.

***Shire Dev., LLC v. Watson Pharm., Inc.*,**
848 F.3d 981 (Fed. Cir. 2017)

In this appeal from the United States District Court for the Southern District of Florida, the Federal Circuit reversed and remanded to the district court with instructions to enter a judgment of non-infringement. The court held that defendant’s proposed pharmaceutical compositions did not satisfy the Markush group requirements claimed by plaintiff’s patent. Takeaway: the narrow exception to the rule that a Markush group claim excludes all unlisted elements covers only those elements that have no functional or structural relationship to the claimed invention.



The patent-in-suit, a pharmaceutical patent concerning controlled-release oral pharmaceutical compositions for treating inflammatory bowel diseases, included a Markush group claim, *i.e.*, a claim that lists alternative elements that can be selected to make the claimed invention. The selection of this type of claim created a strong presumption that the claim excludes any elements, steps, or ingredients not specified in the claim. The accused formulation contained magnesium stearate, an additional component not recited in the Markush group.

The district court held that the magnesium stearate inclusion of this ingredient, which fell outside the Markush group, nonetheless did not bar infringement because it was “unrelated to the invention,” citing *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1331 (Fed Cir. 2004). The district court determined that magnesium stearate did not advance the inventive element of the patent, since it was present in such small quantities as to have no actual effect.

The Federal Circuit rejected this interpretation of *Norian*, stating that to interpret “unrelated” as not advancing or intended to advance inventive properties of the Markush group would collapse the distinction between the phrases “consisting of” and “comprising” or “consisting essentially of.” The latter phrase include components that do not materially affect the fundamental properties of the invention, whereas the former does not.

Skky, Inc. v. MindGeek, s.a.r.l.,
859 F.3d 1014 (Fed. Cir. 2017)

The Federal Circuit affirmed the PTAB’s IPR decision finding challenged claims of Skky’s patent, which covered a method of transmitting audio and visual files to wireless devices, unpatentable as obvious over a prior art reference, U.S. Patent No. 7,065, 342 (“Rolf”). Takeaway: determining whether a claim term invokes Section 112 ¶ 6 does not turn on the use of the word “means,” but rather on whether the claim term is commonly understood by persons of skill in the art to designate structure.

On appeal, Skky argued that its patent was distinguishable over Rolf because the claim term “wireless device means” is a means-plus-function limitation invoking Section 112 ¶ 6. Furthermore, attempting to read limitations from the written description into the claims, Skky argued that the structure of “wireless device means” as described in the specification requires multiple processors or a specialized processor, unlike Rolf, and that the claims should be interpreted to require those processors.

The Federal Circuit rejected these arguments. Reviewing the ultimate claim construction *de novo* and the underlying factual determinations for substantial evidence, the court found that the claim term did not invoke Section 112 ¶ 6 because the full term recites structure, not functionality, despite the fact that the term uses the word “means.” Moreover, the challenged claims did not require multiple processors because the written description included a software embodiment, which contained a single processor and did not require a specialized processor.



The Federal Circuit also rejected Skky's challenge to various aspects of the obviousness determination. The court upheld as proper the PTAB's use of references already considered by the Examiner in making its obviousness determinations. Next, the court rejected Skky's contention that one of the challenged claims was nonobvious because Rolf only allows transmission of a full song, finding that the claim language was not limited to segments of full songs. The court then determined that the PTAB's finding of a motivation to combine references was supported by substantial evidence.

The court concluded by rejecting Skky's challenge to the PTAB's decision not to strike MindGeek's reply brief before the PTAB. Because MindGeek had sufficient opportunity to reply, the PTAB did not abuse its discretion in refusing to strike the brief. The Federal Circuit therefore affirmed the PTAB's decision finding the challenged claims unpatentable.

Soft Gel Tech., Inc. v. Jarrow Formulas, Inc.,
864 F.3d 1334 (Fed. Cir. 2017)

In this appeal from the PTAB, a unanimous panel affirmed the PTAB's holding that the asserted patents were invalid as obvious.

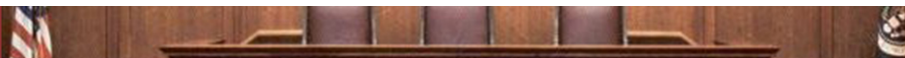
Soft Gel is the assignee of three patents related to a method for dissolving a substance commonly referred to as "CoQ10" in solvents known as monoterpenes. According to the patents, at the time of the claimed inventions, most solvents used to administer CoQ10 in liquid form could dissolve, at most, only about 5 to 10 percent of the CoQ10. As a result, there was "a need in the art for an improved methodology to deliver increased amount[s] of bioavailable CoQ-10 to an individual in need thereof." The claims of the Soft Gel patents were limited to solutions of CoQ10 and a monoterpene called d-limonene.

Jarrow requested *inter partes* reexaminations of the Soft Gel patents in November 2012. The claims were rejected by the Examiner, and the PTAB ultimately invalidated the relevant claims as obvious. On appeal, Soft Gel argued that at least one of the prior art references at issue teaches away from the inventions of the patents and that a person of skill in the art would not have had a reasonable expectation of success in combining the references. The Federal Circuit disagreed and held that there was substantial evidence to support PTAB's determination that the patents were invalid.

Sonix Tech. Co. v. Publ'ns Int'l, Ltd.,
844 F.3d 1370 (Fed. Cir. 2017)

The Federal Circuit reversed the district court's determination that the term "visually negligible" rendered the asserted claims indefinite. Takeaway: terms of degree may be sufficiently definite when accompanied by intrinsic evidence that provides guidance about the scope of the claims.

Sonix Technology owns a patent that describes a system and method for using a "visually negligible" graphical indicator, such as a matrix of small dots, to encode information on the surface of an object. Sonix sued Publications International and several others (collectively, "Appellees") for infringement. Appellees contended that twenty-eight terms were indefinite, but neither their first nor their final invalidity contentions argued that



“visually negligible” was indefinite. Appellees later moved for summary judgment on indefiniteness. Finding that “visually negligible” was purely subjective and that neither the claim language nor the written description provided guidance as to the scope of the claim, the district court held that the disputed claims were invalid as indefinite.

The Federal Circuit reviewed the finding of indefiniteness *de novo*. The court noted that parties cannot transform the internal coherence and context assessment of a patent into a fact issue merely by providing an expert’s opinion. The court then held that the district court’s conclusions related to the meaning of the intrinsic evidence, and were therefore subject to *de novo* review.

The court concluded that a skilled artisan would understand with reasonable certainty what it means for an indicator to be “visually negligible.” The court found that the term was not purely subjective, unlike “aesthetically pleasing,” *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342 (Fed Cir. 2005), and “in an unobtrusive manner that does not distract a user,” *Interval Licensing LLC v. AOL, Inc.*, 766 F.3d 1364 (Fed. Cir. 2014). While the meaning of those terms turned on a person’s taste or mental state, the court found that what can be seen by the normal eye provided an objective baseline. The court also found that the written description supported this conclusion. The description provided examples of visually negligible indicators and criteria such as differentiability and brightness. The court then noted that no party had difficulty determining the scope of the term during the first or second reexamination of the claim. The Appellees themselves did not dispute “visually negligible” for the first several years of litigation, and both parties’ experts applied the term without difficulty.

Storer v. Clark,

860 F.3d 1340 (Fed. Cir. 2017)

This case resolved a pre-AIA interference related to the creation of a compound for treating hepatitis C with a specific chemical and stereochemical structure. Takeaway: if the chemistry is unpredictable and the prior art does not specifically delineate the method of production then the patent fails to enable a person of ordinary skill in the art to create the target compound without undue experimentation.

Storer filed for a patent on a hepatitis C treatment on June 27, 2003. To establish priority, Storer relied on the disclosure in a June 28, 2002, provisional application. In 2007, Clark applied for a patent on similar subject matter, claiming priority to a provisional application filed on May 30, 2003. The PTAB instituted an interference proceeding. Clark argued that the Storer specification, even when combined with the existing prior art, did not enable the production of the claimed compound without undue experimentation. Storer contended that the prior art contained the ability to create a well-known precursor compound that, when combined with his patent, would create a version of the target compound with the opposite stereochemistry (molecular orientation). He argued that a person having ordinary skill in the art would recognize the ability to create the precursor compound and be able to use known methods to switch the stereochemistry and create the exact target compound. After evaluating the Wands factors, the PTAB determined that Storer’s provisional application did not enable the interference subject matter.



The Federal Circuit affirmed the PTAB's determination on appeal, focusing primarily on the unpredictability of the art. There was evidence of several failed attempts to synthesize the target compound in Storer's own continued research. This, combined with the lack of an explicit method for producing the target compound, ensured sufficient variability and unpredictability in the process such that a person of ordinary skill in the art would not have been able to create the target compound without undue experimentation.

***Stryker Corp. v. Zimmer, Inc.*,**
837 F.3d 1268 (Fed. Cir. 2016)

On remand from the Supreme Court, the Federal Circuit unanimously affirmed the district court's findings that Stryker's patents for pulsed lavage devices delivering pressurized irrigation were not invalid and infringed, and that Zimmer's infringement was willful. The Federal Circuit, however, vacated the district court's award of treble damages and attorneys' fees and remanded the issue for the district court to reassess under the new standards set forth in the Supreme Court's decisions in *Halo* and *Octane Fitness*.

Stryker and Zimmer were competitors in the orthopedic pulsed lavage device market. In 1993, Stryker filed a patent application describing a battery-powered, handheld pulsed lavage device. The PTO eventually issued three patents (the '329, '807, and '383 patents). Zimmer introduced its first pulsed lavage device into the market in 1996.

Stryker sued Zimmer for infringement of the '329, '807, and '383 patents. The district court granted partial summary judgment to Stryker with respect to the '807 and '383 patents. The remaining issues in the case were submitted to the jury, which upheld the validity of the patents and found that Zimmer had also infringed claim 2 of the '329 patent. The jury further found that Zimmer's infringement of the three patents had been willful. The district court entered judgment on the jury's verdict and awarded attorneys' fees and treble damages for the willful infringement.

During the first appeal, the Federal Circuit affirmed the jury's findings that the patents were valid and infringed, but it reversed the finding of willfulness and the award of treble damages. Stryker appealed to the Supreme Court, which established a new framework for determining enhanced damages for willful infringement in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016). Based on *Halo*, the Supreme Court granted Stryker's petition for certiorari and remanded the case back to the Federal Circuit.

On remand, the Federal Circuit reaffirmed the verdict that Zimmer had infringed the '329, '807, and '383 patents. Although the Federal Circuit also upheld the jury's determination of willfulness, it vacated the award for enhanced damages and remanded the case to the district court. Under *Halo*, the court noted, enhanced damages are an issue for the district court to determine in the first instance, so the district court needed to assess the applicability of enhanced damages before the Federal Circuit could rule on the issue. The court similarly vacated the award of attorney's fees and remanded to the district court to determine the issue in the first instance. The district court had reached its initial determination to award attorney's fees before the Supreme Court decided *Octane Fitness*, so the remand gave the



district court a chance to reevaluate its earlier decision before the Federal Circuit evaluated the merits of the award.

***Synopsys, Inc. v. Mentor Graphics Corp.*,**
839 F.3d 1138 (Fed. Cir. 2016)

The Federal Circuit held that patents for translating a functional description of a logic circuit into a hardware component description of that logic circuit were unpatentable under 35 U.S.C. § 101.

Synopsys sued Mentor Graphics, alleging infringement of several patents directed to synthesizing a logic circuit. The district court entered summary judgment in Mentor’s favor, holding all asserted claims unpatentable under 35 U.S.C. § 101. Applying the first step of the *Alice* test, the district court concluded that each of the steps in the claimed methods can be performed by a skilled designer either “mentally or with the aid of pencil and paper.” Applying the second step of the *Alice* test, the district court found that the claims recited only “well-understood, routine, conventional activity, previously engaged in by those in the field.”

On appeal, the Federal Circuit affirmed. The court agreed that the claims encompassed an abstract idea, reasoning that the asserted claims were directed to the mental process of translating a functional description of a logic circuit into a hardware component description of the logic circuit. Turning to *Alice* step two, the court held that the asserted claims provided no inventive concept that would yield a patent-eligible invention beyond the abstract idea. The court instead reasoned that, at most, the claims further recited the use of assignment conditions as an intermediate step in the translation process. But the assignment conditions—which merely aid in mental translation as opposed to computer efficacy—are not an inventive concept sufficient to transform the claims into patent-eligible subject matter.

***Tech. Props. Ltd. LLC v. Huawei Techs. Co., Ltd.*,**
849 F.3d 1349 (Fed. Cir. 2017)

In this appeal from the Northern District of California, the Federal Circuit vacated the district court’s claim construction order which resulted in a stipulation of non-infringement and remanded the case for further proceedings. Takeaway: a patentee may disclaim more than what is necessary to avoid a prior art reference, and the patentee is to be held to the actual arguments made rather than the arguments it could have made during prosecution.

The district court construed the term “entire oscillator” in a patent directed to a microprocessor system to mean “an oscillator located entirely on the same semiconductor substrate as the central processing unit that does not require a control signal and whose frequency is not fixed by any external crystal.” Although the claims do not recite the negative limitations of “no control signal” and “no external crystal,” the district court decided that such limitations were appropriate in view of disclaimers during prosecution.

On appeal, Technology Properties argued that the negative limitations added by the district court were based on a misinterpretation of its statements during prosecution because not

all of Technology Properties' arguments were needed to overcome the prior art. The Federal Circuit disagreed, finding that while the patentee's disclaimer was not necessary to overcome the prior art references, the scope of the claims is limited based on all of its disclaimers. The court noted that the construction "may have been different" if the patentee had not disclaimed more than was necessary. Nonetheless, the Federal Circuit made a minor modification to the district court's claim construction because it held that the patentee's disclaimer did not disclaim any use of a command signal by the entire oscillator, but instead disclaimed a particular use of a command signal (using a command signal to change the clock frequency). Thus, the Federal Circuit changed the construction to be "an oscillator located entirely on the same semiconductor substrate as the central processing unit that does not require a command input to change the clock frequency and whose frequency is not fixed by any external crystal." While the Federal Circuit noted that the modification "likely does not affect the outcome in this case," it remanded to the district court to evaluate whether the stipulation of non-infringement is still appropriate.

The Federal Circuit affirmed the district court's determination that an "entire oscillator" is one "whose frequency is not fixed by an external crystal." While the argument the patentee raised on appeal may have been sufficient to narrow this construction, this was not the argument it presented during prosecution. The Federal Circuit also concluded the district court erred by limiting the entire oscillator to one that does not require any control signal because Technology Properties only disclaimed a particular use of a command signal.

***Thales Visionix Inc. v. United States*,**
850 F.3d 1343 (Fed. Cir. 2017)

In this case regarding patent-eligible subject matter under 35 U.S.C. § 101, the Federal Circuit clarified the proper application of step one of the two-step *Alice* inquiry. Takeaway: a claim may not be directed to an abstract idea even if it employs a mathematical formula, where the formula is applied to improve a technological process.

The Court of Federal Claims found that Thales' patent claims directed to an inertial tracking system that tracks the motion of an object relative to a moving reference frame were patent-ineligible because the claims were (1) directed to the abstract idea of using laws of nature governing motion to track two objects, and (2) provided no inventive concept beyond the abstract idea.

The Federal Circuit disagreed, relying heavily on *Diamond v. Diehr* as controlling precedent. In *Diehr*, the Supreme Court found the claims covered patent-eligible subject matter, despite the inclusion of an abstract idea (*i.e.*, a mathematical formula), because the claims were directed to an improved technological process for curing rubber, not the formula itself. The Supreme Court understood the claim as applying the formula in a structure or process which performed a function which the patent laws were designed to protect. The Federal Circuit held that the patent claims in the instant case likewise were not directed to the abstract idea of the equations themselves. Rather, the claims specified a particular configuration of inertial sensors and a method of using the raw data from the sensors to more accurately calculate the position and orientation of an object on a moving platform, improving upon conventional solutions that were subject to small errors in



measurement, which compounded over time. The patent eliminated the inherent complications of previous solutions, and the claims sought to protect only the application of physics to the unconventional configuration of sensors. The Federal Circuit concluded that since the claims were not directed to an abstract idea, an analysis of step two was not required.

***Tinnus Enters., LLC v. Telebrands Corp.*,**
846 F.3d 1190 (Fed. Cir. 2017)

In *Tinnus Enterprises, LLC v. Telebrands Corp.*, the Federal Circuit upheld the Eastern District of Texas' grant of a preliminary injunction in favor of patentee, finding no clear error in that decision. Takeaways: a district court's preliminary injunction determination will not be overturned absent clear error; where a party fails to object to the magistrate judge's recommendations, plain error review will be applied on appeal; and evidence of irreparable harm may pre-date issuance of the patent-in-suit.

Tinnus sued Telebrands for infringement of Tinnus's patent directed to a hose attachment that fills multiple water balloons at once. Tinnus sought a preliminary injunction and Telebrands opposed on the basis that the asserted claims were indefinite and obvious. The district court granted the preliminary injunction. While the case was pending at the Federal Circuit, the PTAB found the patent indefinite in a parallel post-grant review. The Federal Circuit noted that the PTAB's decision was not binding on the court, and it did not affect the disposition of the action before the Federal Circuit. On appeal, Telebrands challenged the district court's infringement and validity determinations.

Telebrands faulted the district court's preliminary injunction infringement determination on the basis of the construction of the term "attached" and the district court's failure to construe two other terms. Telebrands claimed its product did not infringe because the tubes which filled the water balloons in its product were not "attached," as that term was used in the claims. The Federal Circuit found the district court's decision adopting a dictionary definition of "attached," which required the elements to be connected, was reasonable and did not constitute clear error.

Addressing Telebrands' invalidity challenge, the Federal Circuit affirmed the district court's determination that the claim term "substantially filled" was not indefinite for purposes of the preliminary injunction. As the court explained, the claims themselves provided "specific parameters" for determining what constitutes "substantially filled." According to the patent, "if the balloons detach after shaking, then they are 'substantially filled.'" Over Telebrands' objection, the court applied the plain error standard because Telebrands failed to object to the magistrate judge's validity determinations at the district court.

Again applying the plain error standard, the Federal Circuit next affirmed the district court's finding that the combination of three prior art references did not render the claims obvious for purposes of the preliminary injunction. The court found no motivation to combine the asserted references, which were from widely different fields of endeavor (medical endoscopy devices, sprinkler technology, and self-sealing balloons) and not



reasonably pertinent to the problem addressed by the asserted patent claims, how to rapidly fill multiple containers with fluid.

Finally, there the Federal Circuit found no error in the district court's finding of irreparable harm to Tinnus absent an injunction. Rejecting Telebrands' argument that the district court erred by using evidence of harm that predated the issuance of the patent, the court noted that the use of pre-issuance evidence to show consumer confusion, harm to reputation, and loss of good will was "circumstantial evidence demonstrating the possibility of identical harms once the patent issues." In any case, the court found that the post-issuance evidence in the record was itself sufficient to support the district court's findings.

TVIIM, LLC v. McAfee, Inc.,
851 F.3d 1356 (Fed. Cir. 2017)

TVIIM, LLC, sued McAfee, Inc., claiming McAfee's software that protects other computer programs against new security threats infringed on TVIIM's patent. After a trial, a jury found McAfee's software did not infringe the asserted patent, and that the asserted patent was invalid. Takeaway: where a permissible claim construction would support a jury's finding of invalidity or non-infringement, but not both, a jury's finding both invalidity and non-infringement is harmless error.

Prior to trial, the parties agreed that many terms in the claims should be given their "plain and ordinary meaning." The case went to trial and the jury returned a verdict concluding that McAfee did not infringe on TVIIM's patent and that the patent was invalid. In response, TVIIM filed motions for judgment as a matter of law and seeking a new trial, arguing that the jury could not have arrived at both a non-infringement and invalidity determination using a single construction of any of three claim terms: "as a result of/in response to"; "various utility functions"; and "reporting the discovered vulnerabilities." The district court denied both of these motions. TVIIM appealed.

The Federal Circuit affirmed, finding that the jury verdict was supported by substantial evidence. The Federal Circuit first noted that litigants waive their right to present new claim construction disputes if they are raised the first time after trial. The Federal Circuit next addressed the claim construction disputes that arose from the three claim terms. The court found that it was not error to submit the infringement and invalidity issues to the jury without construing these terms. The Federal Circuit further found that there were uniform constructions of these three terms under which the jury could have arrived at verdicts of both non-infringement and invalidity. Finally, the Federal Circuit concluded that, because TVIIM admitted there were permissible claim constructions that would permit a finding of invalidity, the jury's finding of both non-infringement and invalidity, even if inconsistent, is harmless error.

U.S. Water Servs., Inc. v. Novozymes A/S,
843 F.3d 1345 (Fed. Cir. 2016)

The Federal Circuit vacated the district court's grant of summary judgment of invalidity but affirmed the denial of summary judgment as to inequitable conduct. Takeaways: when



assessing inherent anticipation, district courts cannot disregard evidence that a particular result does not inevitably result from steps disclosed in prior art; failure to provide documents during patent prosecution does not meet the materiality prong for inequitable conduct when the examiner was otherwise aware of the withheld information.

U.S. Water Services sued Novozymes A/S and Novozymes North America, Inc. (together, “Novozymes”), alleging indirect infringement of two patents, U.S. Patent Nos. 8,609,399 and 8,415,137. The patents disclose methods for reducing deposits created during the production of ethanol by adding the enzyme phytase. Novozymes counterclaimed for declaratory judgment of noninfringement, invalidity, and inequitable conduct. U.S. Water’s related patent, U.S. Patent No. 8,039,244, discloses the addition of phytase after fermentation, but the patents-in-suit do not specify when phytase should be added.

The parties filed cross-motions for summary judgment. Because deposit reduction was a “natural result” of the prior art’s methods for adding phytase, the district court found that the prior art inherently anticipated the claims. The district court denied Novozymes’s motion for summary judgment as to inequitable conduct, finding that Novozymes did not establish but-for materiality of U.S. Water’s failure to disclose information from a litigation over the ’244 patent against ChemTreat, Inc.

The Federal Circuit vacated the granting of summary judgment on invalidity and remanded for further proceedings. The Federal Circuit held that for prior art to inherently disclose a result, it must inevitably result from the disclosed steps. U.S. Water presented evidence that the methods in the prior art will not always result in deposit reduction. The Federal Circuit thus held that the district court improperly made credibility determinations and erred in finding no genuine dispute of material fact.

The Federal Circuit also affirmed the district court’s denial of summary judgment of inequitable conduct. Novozymes argued that the examiner would not have issued the patents-in-suit if U.S. Water had provided documents from the ’244 litigation with ChemTreat. During that litigation, U.S. Water argued for an expansive interpretation of a claim that it had narrowed during prosecution. The Federal Circuit held that the examiner was aware of the differences between the ’244 claim and the patents-in-suit. U.S. Water highlighted the differences in its amendment to the ’137 application, and a third-party submission identified differences during the prosecution of the ’399 patent. Because applicants are not required to tell the PTO about the same prior art twice, the court concluded that U.S. Water did not withhold or misrepresent information to the PTO.

UCB, Inc. v. Yeda Research and Dev. Co., Ltd.,
837 F.3d 1256 (Fed. Cir. 2016)

The Federal Circuit affirmed a district court’s grant of summary judgment of noninfringement, holding that the patentee was estopped by the prosecution history from including humanized and mouse-human chimeric antibodies within the scope of its patent. Takeaway: prosecution history estoppel may limit the scope of a claim even where that particular claim was not amended during the course of prosecution.

UCB, Inc., brought a declaratory judgment action against Yeda Research and Development Co., Ltd. seeking a declaration that an antibody made by UCB did not infringe one of Yeda's patents. The parties disputed whether claim 1 of Yeda's patent, which claimed a "monoclonal antibody," was limited to mouse antibodies (the only antibodies described in the specification) or also covered humanized and mouse-human chimeric antibodies.

Yeda argued that, because claim 1 did not specify the form or source of the claimed antibody and because chimeric and humanized monoclonal antibodies were known at the time the patent application was filed, the claim should be read to include humanized and chimeric antibodies. According to Yeda, the claimed antibody should not be limited to the examples in the specification, and every embodiment of the claimed antibody need not be specifically described and claimed to be within the scope of a generic claim term. Because claim 1 had not been narrowed by argument or amendment during prosecution, Yeda claimed it should be construed broadly to include various types of monoclonal antibodies, including humanized and human-mouse chimeric antibodies.

The Federal Circuit concluded that, even if chimeric antibodies existed at the time the patent application was filed, the prosecution history made clear that neither Yeda nor the examiner understood the term "monoclonal antibodies" to include chimeric or humanized antibodies. The prosecution history revealed that, after submitting claim 1, Yeda also submitted new claims specifically covering human and chimeric antibodies. The examiner rejected the proposed claims as new matter not supported by the specification, and Yeda withdrew the claims. The court held that Yeda could not recapture claim scope that it surrendered during prosecution to obtain issuance of the patent and thus construed claim 1 as excluding chimeric and humanized antibodies. Since the examiner rejected the humanized- and chimeric-specific antibody claims as new matter, claim 1 could not have included humanized and chimeric antibodies.

United Constr. Prods., Inc. v. Tile Tech, Inc.,
843 F.3d 1363 (Fed. Cir. 2016)

In a case involving repeated failures to respond to discovery requests and comply with court orders, the Federal Circuit upheld the district court's grant of a default judgment and permanent injunction. Takeaway: default judgment is an appropriate remedy when one party has demonstrated a complete disregard for the demands of litigation.

United Construction Projects sued Tile Tech for infringement of a patent claiming a support pedestal having an anchoring washer for securing elevated surface tiles. Tile Tech repeatedly missed discovery deadlines "without effort or comment," postponed conferences until threatened with a motion to compel, and failed to adequately respond to discovery requests. The district court imposed monetary sanctions, ordered Tile Tech to respond, and warned that it would enter default judgment if Tile Tech did not comply. Tile Tech failed to respond to the order in a timely fashion, and when it did finally supplement discovery it revealed destruction of evidence. United Construction filed a motion for spoliation sanctions and an amended complaint alleging unfair competition, to which Tile Tech again failed to respond. The district court issued a permanent injunction and entered default judgment on United Construction's behalf. Tile Tech appealed.

First considering Tile Tech’s challenge to the default judgment order, the Federal Circuit applied the Ninth Circuit’s five-factor test from *Malone v. United States Postal Service*, 833 F.2d 128 (9th Cir. 1987). The court found that Tile Tech: (1) interfered with the public’s interest in the expeditious resolution of litigation through its dilatory tactics; (2) interfered with the district court’s ability to manage its docket by missing every deadline to which it agreed, failing to adequately respond to discovery, and interfering with the integrity of the factual record; and (3) risked prejudice to United Construction by withholding evidence, failing to respect the rules of discovery, and disobeying court orders. As the court noted, the fourth *Malone* factor, the public policy favoring merits disposition, always weighs against dismissal. Finally, considering the fifth *Malone* factor, the court found that because Tile Tech had been warned of the risk of default judgment the requirement to consider alternatives to dismissal was met. Tile Tech argued that because its conduct was not caused by bad faith, default judgment was inappropriate nonetheless. However, the court held that under Ninth Circuit law, conduct not shown to be outside the litigant’s control is sufficient to support a finding of default judgment.

The court also upheld the district court’s injunction, finding that the terms were not overly broad. One portion prohibited the sale, advertisement, marketing, or promotion of a “substantially similar” product. The court approved the “substantially similar” language to the extent that it prevented Tile Tech from infringing United’s patent. The court also found a requirement to surrender molds for a “crucial” component of the patented technology appropriate as an acceptable means of preventing future infringement. Finally, the court upheld the injunction’s prohibition on use of United Construction’s products, projects, and drawings to the extent they were used to misrepresent their source.

***Univ. of Utah v. Max-Planck-Gesellschaft zur Foerderung der Wissenschaften e.V.*,
851 F.3d 1317 (Fed. Cir. 2017)**

In this case, the Federal Circuit affirmed the district court’s determination that the case was not exceptional under 35 U.S.C. § 285. Takeaway: there is no fixed framework for determining whether a case is exceptional under *Octane Fitness*; courts, rather, must examine the totality of the circumstances, considering factors such as frivolousness, motivation, objective unreasonableness of a case’s factual or legal components, and the need in particular circumstances to advance considerations of compensation and deterrence.

This case was originally brought by the University of Utah against a number of research institutions alleging that one of the university’s professors should have been named a joint inventor on a number of patents for inhibiting gene expression. The university made this claim with little evidence to support its claim, and the university’s professor made statements contrary to the university’s argument in deposition. The district court entered judgement in favor of the research institutions. The institutions moved for attorneys’ fees pursuant to 35 U.S.C. § 285, arguing that the university lacked a meaningful basis for its claim and effectively knew the claim was meritless. The district court refused to find this case was sufficiently exceptional to warrant an attorneys’ fees award, finding that even though the university “may have been asking for pie in the sky, that does not differentiate this case from most patent cases.”

The Federal Circuit affirmed the district court's ruling, finding that the district court correctly evaluated the totality of the circumstances, and that none of the usual factors that warrant fees, such as "frivolousness, motivation, objective unreasonableness of a case's factual or legal components, and the need in particular circumstances to advance considerations of compensation and deterrence" were found in this case. The Federal Circuit emphasized that the district court need only explain why a case does not stand out from other patent cases in order to refuse awarding attorney fees to the prevailing party.

Unwired Planet, LLC v. Google Inc.,
841 F.3d 1376 (Fed. Cir. 2016)

The Federal Circuit further defined the standard to be used when determining if a patent is a covered business method patent. Takeaway: in order to be subject to CBM review, a patent must claim a method or corresponding apparatus for performing data processing or other operations in the practice, administration, or management of a financial product or service; it does not suffice that the patent claims activities incidental or complementary to financial activity.

Google petitioned for CBM review of claims 25-29 of U.S. Patent No. 7,203,752. The '752 patent described a system that allowed wireless device users to restrict "client applications" from accessing the device's location information, in accordance with the user's privacy preferences. The '752 patent's specification indicated that "client applications" may be associated with service and product providers seeking to know whether a wireless device is in their area in order to supply the device with relevant advertisement.

Assessing the threshold issue of whether the '752 patent was a CBM patent, the PTAB stated that CBM patents are those that claim "activities that are financial in nature, incidental to a financial activity or complementary to a financial activity." The PTAB concluded that the '752 patent was a CBM patent because its disclosure regarding service and product providers made the patent's subject matter "incidental or complementary" to the financial activity of potential sales resulting from advertising.

The Federal Circuit vacated the PTAB's decision, ruling that it improperly broadened the definition of a CBM patent as one including claims "incidental or complementary" to financial activity. The Federal Circuit clarified that a CBM patent is one that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service," as stated in Section 18(d)(1) of the America Invents Act. The court noted that the PTAB was free to establish and implement its own rules for CBM review, but that it was not free to disregard or expand the AIA's definition when it had been adopted by regulation.

Google had argued that, although the "incidental or complementary" test was not in the statute, the language figured in the PTO's general policy statement regarding the manner in which it would implement the AIA provisions. Therefore, Google argued, the test could properly serve as the basis of the PTAB's decision. The court rejected this argument



because general policy statements are not legally binding, absent adoption through the rulemaking process.

In any event, the panel concluded that the “incidental or complementary” test could not have been adopted, even though rulemaking, because the test would expand the PTAB’s authority to review CBM patents beyond the authority granted to it by Congress. The test would essentially render all patents CBM patents because every patent, at some level, relates to the potential sale of a good or service. In order to trigger CBM review, it is not enough that a sale has occurred or may occur, or even that the specification speculates such a potential sale might occur.

Unwired Planet, LLC, v. Google Inc.,
841 F.3d 995 (Fed. Cir. 2016)

The Federal Circuit affirmed the PTAB’s IPR decision that Unwired Planet’s patent was invalid as obvious, dismissing as moot a related CBM petition. Takeaway: prior art references may be analogous to a challenged claim where the teachings of the prior art are relevant to the teachings of the challenged claim, even if the prior art is not in the exact sub-field as the challenged claim.

The patent at issue, US. Patent No. 7,024,205, described a system and method for providing cell phone users with search results based on location, with the opportunity for service providers to pay money to receive a preferred ranking on the list. Because the prioritization is independent of a subscriber’s location, service providers who are farther away from the subscriber may receive a higher ranking on the list, a practice referred to by the parties and PTAB as “farther-over-nearer-ordering.” The sole independent claim at issue recited a method for “farther-over-nearer ordering in the context of wireless location-based services.” Five prior art references were examined by the PTAB, and the Federal Circuit relied on the combination of two references, Brohoff and Galitz, to affirm the first ground of obviousness as to claims 1-3, 5, and 6.

The patentee appealed, arguing that that Galitz is not analogous prior art, but instead addressed a different concept—graphical user interfaces—not mobile telephony or location-based services. The patentee also argued that the prior art does not teach “farther-over-nearer” ordering, and that, regardless, a person of skill in the art would not have been motivated to combine Brohoff with Galitz,

The panel, however, disagreed. According to the panel, the ’205 patent taught methods for ordering and displaying information from a network on mobile devices, which Galitz addressed. As a result, the panel reasoned that both the patent and Galitz are in the field of interface design, with the patent focusing on interfaces for location-based services and Galitz focusing on graphical user interfaces. The panel reasoned that these two areas overlap because graphical user interface design is relevant to interfaces for location-based applications.

The panel also disagreed with the patentee’s claim that the prior art did not teach “farther-over-nearer ordering” as claimed. According to the patentee, the prior art only



“sometimes” returned “a farther result.” But, as the panel held, combinations of prior art that sometimes meet the claim elements are sufficient to show obviousness.

Lastly, the panel rejected the patentee’s view that it was not shown that a skilled artisan would be motivated to combine the prior art references to achieve farther-over-nearer ordering. The panel reasoned that, for a technique to be obvious, the skilled artisan need only be able to recognize, based on her background knowledge, its potential to improve the device—recognition of a specific problem is not required. The panel ruled that, because Google had shown that a person of skill in the art could have seen the advantages of applying the teachings of Galitz to improve Brohoff, Google had established a motivation to combine. It was not relevant that Brohoff did not address the problem of near-first ordering specifically.

Vapor Point LLC v. Moorhead,
832 F.3d 1343 (Fed. Cir. 2016)

The Federal Circuit affirmed a district court’s order correcting inventorship on the patents-in-suit, dismissing the action with prejudice, and denying the prevailing party’s motion for exceptional case status and attorneys’ fees. Takeaway: an individual who only contributed to one claim or one aspect of one claim of a patent may be required to be listed as an inventor on that patent.

Vapor Point, LLC, Keith Nathan, and Kenneth Matheson (collectively “Vapor Point”) sued NanoVapor seeking to have Nathan and Matheson recognized as joint inventors under 35 U.S.C. § 256 on two of NanoVapor’s patents. After a four-day evidentiary hearing, the district court granted Vapor Point’s motion for correction of inventorship, finding that Nathan contributed to the conception of three of the four “key concepts” in the patents and that Matheson contributed to the conception of two of the four key concepts. Based on that finding, the district court added Nathan and Matheson as inventors to NanoVapor’s patents.

The Federal Circuit concluded that the district court’s findings that Nathan contributed three of the four key concepts were supported by substantial evidence. In addition, the court concluded that, although the district court erred with respect to one of Matheson’s asserted contributions, substantial evidence supported the district court’s finding Matheson contributed to at least one of the “key concepts.” Because the district court’s conclusion that both Nathan and Matheson contributed to at least one of the claim elements, Nathan and Matheson qualified as inventors and were properly added to the patents-in-suit.

NanoVapor also argued that Nathan and Matheson had an obligation to assign their invention to NanoVapor and that the district court erred in dismissing the suit without first determining whether such an obligation existed. But the Federal Circuit held that NanoVapor waived its right to have the court decide the assignment question by representing that a determination of inventorship would be dispositive of the remaining issues in the case. Thus, the district court did not err in dismissing the case without deciding the assignment issue. Judge O’Malley concurred, stating that although she agreed that NanoVapor waived its right to have the assignment issue decided, she would have ruled against NanoVapor on the issue even absent waiver because 35 U.S.C. § 261 requires

that any assignment of patent rights be shown to have been executed in writing, which NanoVapor admitted it could not do. She urged that, to the extent *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403 (Fed. Cir. 1996), and its progeny are to the contrary, the Federal Circuit should consider overruling that precedent.

***Veritas Techs. LLC v. Veeam Software Corp.*,**
835 F.3d 1406 (Fed. Cir. 2016)

The Federal Circuit affirmed the determination of the PTAB that certain claims in a computer patent were invalid as obvious under 35 U.S.C. § 103, but vacated the PTAB's denial of the patentee's motion to amend the patent by substituting narrower claims because the PTAB acted arbitrarily and capriciously. Takeaway: under the APA, the PTAB may not act in an arbitrary and capricious manner in denying a patentee's motion to amend its claims during IPR proceedings.

The patent at issue, owned by Veritas Technologies LLC, claimed methods and systems through which, while a computer's data is being restored, an active computer application can request that specific data be restored first so it can access that restored data while the background restore is still running. The patent was designed to address a problem with existing systems in which, during restores, an application would have to wait for all of the system's data to be fully restored before accessing any of the data. This process could take hours or even days for large databases. With the claimed invention, an application could access data during a restore in one of two ways: "file-level access" or "block-level access."

Veeam Software Corporation sought IPR of the patent before the PTAB. At issue in the IPR proceedings was whether the patent's claims were limited to file-level restoration processes or broad enough to also cover block-level restoration. The PTAB concluded that the broadest reasonable interpretation of the claims did not require that the claims be limited to file-level restoration. After adopting the broader claim construction, the PTAB concluded that the claims were unpatentable as obvious under Section 103 based on a prior-art reference that taught block-level restoration. The PTAB then denied Veritas's motion to substitute narrower claims because Veritas failed to address in its motion whether the newly added features in the substitute claims were each separately known in the prior art. Instead, Veritas only stated in its motion that the newly added features, in combination with each other, were not known in the prior art. For that reason alone, the PTAB denied Veritas's motion to amend.

The Federal Circuit upheld the PTAB's construction of the disputed claims as covering both block-level and file-level restoration. The court noted that the patent did not expressly or impliedly restrict the claimed restoration processes to file-level restoration, and thus that it would not be unreasonable for a skilled artisan to read the claims as covering block-level restoration as well. The court also affirmed the PTAB's finding of invalidity because it would have been obvious to a skilled artisan to use the asserted prior art reference, which taught block-level restoration, to restore a set of files as claimed by Veritas's patent.

The Federal Circuit vacated the PTAB's denial of Veritas's motion to amend. The court held that it was arbitrary and capricious under the APA for the PTAB to deny Veritas's

motion based solely on the fact that Veritas did not discuss whether each newly added feature in the substitute claims was separately known in the prior art. The court concluded that it was in fact the combination of features in the substitute claims that Veritas was claiming to be novel and nonobvious, and thus that it was unreasonable to require Veritas to address whether each individual feature could be separately found in the prior art before even considering whether the substitute claims satisfied patentability requirements. Accordingly, the court remanded the case to the PTAB for a determination of the patentability of the proposed substitute claims.

***Walker v. Health Int'l Corp.*,**
845 F.3d 1148 (Fed. Cir. 2017)

In this appeal from a district court's award of sanctions for plaintiff's vexatious continuation of litigation, the Federal Circuit upheld the sanctions and imposed additional sanctions based on plaintiff's conduct during the appeal. Takeaway: courts may sanction a party for proceeding with aggressive litigation tactics after settlement, and pursuing indefensible positions on appeal may be considered frivolous and can earn additional sanctions.

Andre Walker filed patent infringement suits against several defendants. Eventually, the only remaining defendant was HSN, with which Walker engaged in mediation that resulted in a settlement agreement, including an agreement that the action would be dismissed. After the agreement, Walker continued to file motions, arguing that the agreement did not resolve all claims. HSN ultimately filed a motion to enforce the settlement agreement and requested attorneys' fees and costs. Even after HSN paid Walker the agreed-upon amount, Walker still opposed HSN's motion to enforce the agreement. Finding the agreement clear, the district court dismissed all claims and awarded reasonable attorneys' fees and costs resulting from Walker's "vexatious actions" after signing the settlement agreement. After the district court denied Walker's request for reconsideration, Walker filed an objection to the attorneys' fees award. The district court struck the objection as untimely. The court entered final judgment awarding attorneys' fees to HSN, and Walker appealed.

Applying Tenth Circuit law, the Federal Circuit upheld the district court's decision. In the Tenth Circuit, district courts have discretion to award attorneys' fees when a party has acted vexatiously. Appellate courts may only reverse these decisions when the circumstances do not show reasonable grounds for the conclusion. The Federal Circuit found that the district court correctly concluded that there was no legitimate reason to continue to litigate after entering the settlement agreement and that the district court still had jurisdiction to grant sanctions after the parties entered a settlement agreement.

The Federal Circuit also imposed additional sanctions on Walker for pursuing a frivolous appeal. Indeed, on appeal, Walker raised new arguments which made baseless accusations against HSN's counsel and mischaracterized legal authority. Pursuant to the court's authority to impose sanctions under the Federal Rules of Appellate Procedure, the court exercised its discretion to sanction Walker and his counsel and award fees and costs to HSN.

Wasica Fin. GmbH v. Cont'l Auto. Sys., Inc.,
853 F.3d 1272 (Fed. Cir. 2017)

In an appeal from the PTAB, the Federal Circuit affirmed in part and vacated in part findings of obviousness and anticipation. Takeaway: an ambiguous reference will not anticipate a claim; if a patent owner does not disavow the ordinary meaning of a claim term in favor of a special or specific meaning, a court will construe the term within the full scope of its plain and ordinary meaning.

The patent at issue describes “systems for monitoring tire pressure in vehicles.” The PTAB found claims 1–5, 10, 12–19, and 21 “unpatentable as anticipated or obvious,” but found claims 6–9 and 20 patentable. Wasica Finance GmbH appealed the PTAB’s decision regarding the unpatentability of claims 1–5, 10–19, and 21. Continental Automotive Systems, Inc. and Schrader-Bridgeport International, Inc. cross-appealed the PTAB’s findings of patentability regarding claims 6–9 and 20. The Federal Circuit affirmed the decisions of the unpatentability of claims 1–5, 10–19, and 21 and patentability of claims 6–8 and 20, but reversed the decision of the patentability of claim 9.

The court first addressed claims 1–5, 10–16, 18, 19, and 21. The parties agreed that under the PTAB’s construction of “electrical pressure signal” and “pressure transmitting signal,” the relevant claims would be invalid. Wasica therefore disputed the PTAB’s constructions as unnecessarily broad. Because the claim language indicated that the terms “electrical pressure signal” and “pressure transmitting signal” were not limited to numeric values and the specification of the ’524 patent included an embodiment that referenced European applications “disclos[ing] switch-based pressure sensors and non-numeric pressure signals,” the Federal Circuit held that the PTAB did not err in construing the terms as not limited to numeric values.

Turning to claim 6, the Federal Circuit found substantial evidence supporting the PTAB’s conclusion that it is patentable over the prior art. The Federal Circuit noted that anticipation necessitates that “a single reference ‘describe the claimed invention with sufficient precision and detail to establish that the subject matter existed in the prior art’” and any ambiguous references will not, “as a matter of law, anticipate a claim.” Claim 6 required a “constant frequency” among its “carrier waves.” According to the PTAB, the prior art was “at best ‘unclear’” regarding whether its “transmission” occurred at a “constant frequency.” Finding substantial evidence in the record to support this finding, the Federal Circuit held that claim 6 was not anticipated by the prior art.

Lastly, the Federal Circuit addressed claim 9, which required “the transmitter to send data to the receiver through ‘at least a 4-bit sequence’ having four smaller ‘bit sequence[s]’ of information.” The PTAB construed “bit sequence” as “two or more bits,” but the Federal Circuit held that this was in error because: (1) it rewrites the language “at least 4” to mean “at least 8;” and (2) the context and ordinary meaning of “bit sequence” requires an inclusion of “single-bit sequences.” Thus, the panel reversed the PTAB and held claim 9 unpatentable.



***WesternGeco LLC v. ION Geophysical Corp.*,**
837 F.3d 1358 (Fed. Cir. 2016)

In this case—remanded from the Supreme Court in light of its decision in *Halo*—the Federal Circuit addressed the new standard of enhanced damages under Section 284. The jury found ION Geophysical Corporation liable for infringement of WesternGeco LLC’s patents for marine seismic streamer technology. It awarded WesternGeco damages in the form of lost profits and a reasonable royalty. The jury also found that ION’s infringement had been reckless under the subjective prong of the then-controlling *Seagate* test. The district court, however, found that ION did not satisfy the objective prong of *Seagate* and declined to award enhanced damages. On appeal, the Federal Circuit reversed the lost profits award but affirmed the denial of enhanced damages for willfulness. WesternGeco petitioned for certiorari. The Supreme Court remanded the case back to the Federal Circuit for further consideration in view of *Halo*.

On remand, a majority of the panel at the Federal Circuit addressed only the issue of enhanced damages under Section 284. The court remanded the issue to the district court with instructions that the district court should review the sufficiency of the evidence as a predicate to any award of enhanced damages it imposed. If the district court sustained the jury’s finding of willful infringement, then it would be within the district court’s discretion whether to award enhanced damages to the plaintiff.

Judge Wallach dissented, asserting that the majority erred in reinstating its prior opinion in all other respects, particularly the portion of that opinion reversing the jury’s award of lost profits. According to the dissent, the majority left unanswered the question as to when patented products sold abroad may be considered in calculating damages. Even if foreign sales do not count towards the determination of infringement, they may alter the amount of damages flowing from domestic infringement. The dissent preferred to defer to the district court’s and jury’s determination on such a complex factual issue.

***Wi-LAN USA, Inc. v. Apple Inc.*,**
830 F.3d 1374 (Fed. Cir. 2016)

In this litigation over smartphone technology, the Federal Circuit affirmed the district court’s claim construction and subsequent grant of summary judgment of non-infringement on all asserted claims. Wi-LAN’s patent described a wireless network in which intermediary nodes were used to repackaging data from devices before the data is sent to the base station, and then again when the data was sent from the base station to the user device. Wi-LAN sued Apple for patent infringement, alleging that Apple’s iPhone operating on 4G infringed the patent. Apple’s iPhone did not use an intermediary node, but instead had an internal application processor that functioned in a similar way. Wi-LAN contended that an intermediary node could encompass a part of the user device such that Apple’s devices would infringe Wi-LAN’s patents. Specifically, this dispute was reflected in the construction of two claim terms: “specified connection” and “UL connections.” The district court construed these terms in Apple’s favor, and based on those claim constructions, granted summary judgment in favor of Apple and denied Wi-LAN’s motion for reconsideration.



On appeal, Apple argued that the district court correctly found the internal application processor in the iPhone would be excluded by the “specified connection” limitation because it was only able to connect to the specific iPhone it was a part of and with various base stations, whereas intermediary nodes as discussed in Wi-LAN’s patent were able to connect to various user devices. The Federal Circuit reviewed the intrinsic record and determined that the patent specification consistently described intermediary nodes as maintaining multiple connections to user devices. As such, the Federal Circuit held that the “specified connection” limitation excludes intermediary nodes that can maintain only one connection to a user device.

The district court construed a “UL Connection” as the connection between the intermediary node and the user requiring multiple connections between various user devices and an intermediary node. Both parties agreed that a “UL Connection” referred to the directional flow of information from the user device to the base station, but after the district court had construed “UL Connection” to only refer to those situations where an intermediary node had multiple connections, Wi-LAN argued that “UL Connection” referred to the connection between the intermediary node and the base station, not the intermediary node and the user device. The district court disagreed, construing this term to mean information flowing from the user device to the intermediary node. On appeal, the Federal Circuit affirmed the district court’s construction. Specifically, the Federal Circuit rejected Wi-LAN’s argument that the specification defined “UL Connection,” reasoning that the cited passage of the specification only specified the direction of the flow of information, not where in the network the “UL Connections” are located. The Federal Circuit further held that because the specification taught that the base station had the sole responsibility for allocating bandwidth between itself and the intermediary nodes, whereas the claims recite the UL Connections as connections in which the intermediary nodes allocate bandwidth, the UL Connections must be between the intermediary nodes and the users.

Having affirmed the district court’s claim construction, the Federal Circuit affirmed the grant of summary judgment of non-infringement.

Xilinx, Inc. v. Papst Licensing GmbH & Co. KG,
848 F.3d 1346 (Fed. Cir. 2017)

The Federal Circuit unanimously reversed the Northern District of California’s decision dismissing Xilinx, Inc.’s declaratory judgment action for lack of personal jurisdiction. The court held that the exercise of personal jurisdiction over a non-practicing foreign entity that had traveled to and engaged in prior litigations in California was fair and reasonable. Takeaway: sending cease-and-desist letters and negotiating licensing agreements in the forum state can be sufficient to establish minimum contacts for personal jurisdiction. Non-practicing entities in the business of asserting and litigating patent rights in foreign courts are especially likely to be subject to personal jurisdiction given the nature of the business, particularly where the entity has had other litigations in the forum state.

Papst Licensing, a non-practicing German entity engaged in the business of acquiring and asserting patent rights, sent patent-infringement notice letters to Xilinx and traveled to Xilinx’s California headquarters to suggest Xilinx take a patent license or be subject to an



infringement suit. When negotiations failed, Xilinx filed a declaratory judgment action in California seeking a declaration of non-infringement. Papst filed an infringement action in Delaware on the same day.

The Northern District of California dismissed the declaratory action for lack of specific personal jurisdiction. Relying principally on *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998) and its progeny, the district court held that asserting jurisdiction did not comport with “fair play and substantial justice.” It reasoned that attempts to license patents are insufficient to establish personal jurisdiction. Although Papst had sued others in California for alleged infringement of other patents, the district court deemed the suits irrelevant.

Papst did not dispute that it had the required minimum contacts with California, and the Federal Circuit agreed that “there is no question” that Papst purposefully availed itself of the forum state by sending notice letters and traveling to California to discuss Xilinx’s alleged patent infringement and potential licensing arrangements.

Rather, the central issue for the Federal Circuit was whether asserting personal jurisdiction over Papst was “reasonable and fair.” The court concluded that Papst failed to show a “compelling” case that the exercise of personal jurisdiction constituted an undue burden.

The Federal Circuit found inapposite precedent holding that, because a patent-holder should not be required to expose itself to litigation merely by notifying infringers of its rights, infringement warning letters are insufficient to establish a fair basis for personal jurisdiction. *Red Wing*, 148 F.3d at 1360; *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1206 (Fed. Cir. 2003). The court rejected application of these cases because (1) Papst did not merely send letters, but sent representatives to the forum state, (2) the nature of Papst’s business as a non-practicing patent holder residing outside of the United States required it to litigate its patents far from home, and (3) Papst repeatedly availed itself of the California federal court system by filing at least seven patent infringement suits there, demonstrating that the burden of litigation was not insurmountable.

Yeda Research and Dev. Co., Ltd. v. Abbott GmbH & Co. KG,
837 F.3d 1341 (Fed. Cir. 2016)

In this litigation involving a dispute over whether a patent should benefit from the filing dates of two earlier German patent applications, the Federal Circuit clarified the doctrine of inherent disclosure. Takeaway: a specification describing an invention which has certain undisclosed but inherent properties may serve as adequate written description to support a subsequent patent application referencing those inherent properties.

Abbott GmbH & Company KG owns the ’915 patent, which discloses TBP-II, a protein which binds to and neutralizes a second protein associated with various immunological diseases. Yeda Research and Development Company filed an interference before the BPAI. Abbott had filed the application that resulted in the ’915 patent on May 4, 1990, claiming the benefit of two prior German patents that it had filed—one with a date of May 9, 1989 and another with a day of July 5, 1989. The prior art cited before the Board was



an article published in January 1990 describing the TBP-II protein and explaining how it differed from TBP-I. The Board held that the '915 patent was invalid in light of the article. The district court, however, reversed and granted summary judgment for Abbott. On remand, the Board held that the German applications sufficiently disclosed TBP-II for the '915 patent to benefit from their filing dates. On appeal again, the district court affirmed and granted Abbott summary judgment.

Before the Federal Circuit, Yeda asserted that the patent is not entitled to claim priority to the German patents because the German patents did not provide written description support for the '915 patent claims. Yeda first argued that the district court utilized an incorrect legal standard to determine that there was adequate written description to support the '915 patent. The Federal Circuit disagreed, reasoning that a specification describing an invention with undisclosed but inherent properties can serve as adequate written description for a subsequent patent application on those inherent qualities. Yeda next contended that the prosecution history of the '915 patent foreclosed using the German patents since Abbott cited the January 1990 article to explain the difference between TBP-II and TBP-I. The Federal Circuit, however, noted that Abbott's response also disclosed amino acids which had been disclosed in the German applications. These amino acids were sufficient to distinguish TBP-I from TBP-II.

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